

COMPREHENSIVE ANNUAL FINANCIAL REPORT
of the
TOWN OF FOUNTAIN HILLS, ARIZONA
for the
FISCAL YEAR ENDED JUNE 30, 2001

Prepared by the Finance Department

Acting Town Manager/Town Attorney
William E. Farrell

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Julie A. Ghetti

TOWN OF FOUNTAIN HILLS, ARIZONA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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INTRODUCTORY SECTION

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Town of FOUNTAIN HILLS

October 29, 2001

To the Honorable Mayor, Members of the Town Council, and Citizens of the
Town of Fountain Hills, Arizona

The Comprehensive Annual Financial Report (CAFR) of the Town of Fountain Hills for the fiscal year ended June 30, 2001, is hereby submitted. Local ordinances and state statutes require that the Town issue an annual report on its financial position and activity and that this report be audited by an independent firm of certified public accountants. This document represents a joint effort by Town staff as well as our auditors, Cronstrom & Trbovich. It will be submitted to the Government Finance Officers Association of the United States and Canada in an effort to secure a "Certificate of Achievement for Excellence in Financial Reporting". Copies of this report will be sent to elected officials, bond rating agencies, national repositories, and other agencies which have expressed an interest in the Town of Fountain Hills' financial matters.

Responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with management. Staff believes that the data is accurate in all material respects and is reported in a manner that presents fairly the financial position and operational results of the Town of Fountain Hills' various funds and account groups. All disclosures necessary for the reader to understand the Town's activities have been included.

The Comprehensive Annual Financial Report is presented in three sections: Introductory, Financial and Statistical. The Introductory Section includes the letter of transmittal, the GFOA Certificate of Achievement, an organizational chart and a list of the Town of Fountain Hills' elected officials and department heads. The Financial Section includes the general-purpose financial statements, the combining, individual fund and account group financial statements and schedules, as well as the independent auditor's report on these financial statements and schedules. The Statistical Section includes selected financial and demographic information, generally presented on a ten-year basis.

The financial reporting entity (the Town) includes all the funds and account groups of the primary government (i.e., the Town of Fountain Hills as legally defined) as well as all of its component units. The component units consist of legally separate entities for which the primary government is financially accountable. The Town provides or administers a full range of services including public safety (police, animal control, building inspection); community development (code enforcement, planning, zoning and engineering); the construction and maintenance of streets and infrastructure, municipal court, recreational activities and cultural events. The Town does not maintain utility or other operations that require the establishment of enterprise funds.

Blended component units, although legally separate entities, are, in substance, part of the primary government's operations and are included as part of the primary government. Accordingly, the Cottonwoods Improvement and Maintenance District, Eagle Mountain Community Facilities District and Fountain Hills Municipal Property Corporation are included in the financial reports of the Town.

The Town does not have a primary property tax for operating purposes. Operations are paid for from sales tax, user fees and charges, licenses and permits and other similar sources. The Town property tax of \$0.56 per \$100 of assessed secondary valuation is used solely for the retirement of debt.

GOVERNMENTAL STRUCTURE, LOCAL ECONOMIC CONDITION AND OUTLOOK

General Information

The Town of Fountain Hills is a planned, family-oriented community established in 1970 by McCulloch Properties (now MCO Properties, Inc.). Prior to 1970 the area was a cattle ranch and was part of one of the largest land and cattle holdings in Arizona. It was purchased by Robert McCulloch in the late 1960s and designed by Charles Wood, Jr. (designer of Disneyland in southern California). The centerpiece of Fountain Hills is one of the world's tallest man-made fountains, a focal point that attracts thousands of visitors each year. Located on 11,340 acres of land, and bordering northeast Scottsdale, Fountain Hills is surrounded by the 3,500-foot McDowell Mountains on the west, the Fort McDowell Indian Reservation on the east, the Salt River Indian Reservation on the south and by the McDowell Mountain Regional Park on the north. Elevation is 1,520 feet at the fountain, 3,000 feet on Golden Eagle Boulevard, and is 500 feet above Phoenix.

The U.S. Bureau of the Census Year 2000 revealed a year round population of 20,235. This represents a 43% increase in population from 1995 (14,146) and a 98% increase from the 1990 census (10,190).

Governmental Structure

The Town of Fountain Hills is an Arizona Municipal Corporation, acting as a general law Town as prescribed in the Arizona Revised statutes. The Town was incorporated on December 5, 1989 with the governmental and administrative affairs of the Town operating under the Council-Manager form of government. Policy making and legislative authority are vested in the Town Council, which consists of a Mayor and six Councilmembers. Councilmembers are elected at large for staggered four-year terms. The Mayor, who also sits on the Town Council, is directly elected bi-annually by the voters and the Vice-Mayor is selected by the Council every eight months on a rotating basis. The Town Council is responsible, among other things, for the adoption of local ordinances, budget adoption, the development of citizen advisory committees and hiring the Town Manager. The Town Manager is responsible for implementation of the policies of the Town Council and administering the Town's operations through six department managers and approximately 110 employees. The Magistrate, Town Attorney and Town Prosecutor are under the direction of the Town Council.

Economic Condition and Outlook

Fountain Hills' single largest revenue source is local sales tax generated from construction and retail activity. These two categories experienced gains averaging 37.9% over the past four years (the local sales tax was enacted during FY 1996). However, it is anticipated that this growth rate will not continue in the upcoming fiscal year. The projected forecast for next fiscal year for local sales tax revenue reflects a slight decrease to reflect management's conservatism regarding the current economic climate. During the latter quarter of fiscal year 2001-2002 Fountain Hills expects to see the opening of two large retail shopping centers, one with a large retail anchor and the other with a large grocery anchor. These two shopping centers will add significant sales tax dollars to the Town's General Fund both in terms of construction and retail activity. The declining home construction activity will be offset by the new development of luxury homes in two new subdivisions near the McDowell Mountains.

Residential

Home construction in the Eagle Mountain community within Fountain Hills is nearing completion. When completed the Eagle Mountain community will consist of approximately 600 single-family homes and 80 condominiums. Construction began in early summer of 2001 on a Fry's grocery store-anchored commercial/retail development at the southeast corner of Shea Boulevard and Eagle Mountain Parkway that is scheduled to open in the summer of 2002.

The Firerock Country Club development, which began in 1988, will include up to 390 single-family homes and 288 condominiums in this gated community. The development has a private country club that includes an 18-hole golf course. All of the single-family subdivisions within the Firerock Country Club have been platted and lot sales and home construction have begun.

The Town recently approved subdivisions for the development of the remaining undeveloped land east and north of Fountain Park. Diamante Del Lago, a 139 lot single-family development and Bella Lago, a 68-unit condominium development, are located east and north of Fountain Park. These two subdivisions are nearing completion. A general obligation bond issue was issued last fiscal year to purchase 9.25 acres of land that makes up most of the prime viewshed ridgeline in this area.

A major developer in Fountain Hills, MCO Properties, recently gained preliminary subdivision approval for two subdivisions in the northwest corner of Fountain Hills. The Eagle Ridge North and Eagles Nest subdivisions were approved for a total of 415 custom lots. This subdivision is adjacent to 354 acres of mountainous terrain that will be acquired from the developer. The Fountain Hills McDowell Mountain Preserve will have access to the McDowell Mountain Regional Park and will be used for development of a trailhead. Subdivision improvement construction is scheduled to begin in the Spring of 2002.

As of October 1, 2001 there were 7,055 developed single-family dwelling units within the Town and 3,395 multi-family dwelling units. As of today within the entire Town there are 2,003 undeveloped single-family zoned platted lots. The population of Fountain Hills in the 2000 Census was 20,235.

Commercial

The remainder of the Town's downtown commercial core will soon be subdivided. Anchoring the commercial development in this area is the Town's new Community Center and County Library that opened in September 2001. Construction will soon commence on a new Hilton Hotel, more retail, and office and multi-family developments located at the southwest entrance into Fountain Hills. At the southeast entrance to the community construction has begun on a large retail shopping center that includes plans for a Target store and other large retail tenants.

Industrial

Fountain Hills has a business park that is partially developed. The Business Park contains individual construction equipment storage and maintenance yards, construction company operation yards, a utility company storage and maintenance yard, a distribution business and several small manufacturing operations.

MAJOR INITIATIVES AND ACCOMPLISHMENTS

During 2000-2001 the Town continued to maintain a healthy financial reserve despite significant capital outlays. The Town strives to maintain the carry forward balance for times of fiscal uncertainty. The following are some of the accomplishments during 2000-2001:

A new Town Community Center and Library/Museum complex, located on a 13 acre site in the downtown area, is nearing completion. The 31,000 square foot Community Center, consisting of two arts and crafts classrooms, two seminar rooms, two regular classrooms, a kinder-care room, a conference room, a game room, lounge and lobby areas, an 8,000 square foot banquet room subdividable into four activity/event rooms, a catering kitchen, office and support facilities, were financed through Municipal Property Corporation bonds that will be retired using local sales tax revenue streams. The 21,000 square foot Library/Museum, consisting of separate adult and children reading areas and book stacks, meeting rooms, computer resource center and 5,000 square feet of exhibit space for the museum, will be paid for by the voter-approved general obligation bonds. The groundbreaking ceremony took place June 2, 2000 and the facilities opened in September 2001.

The senior population of Fountain Hills benefited from the coordination of joint efforts by the Red Cross, Maricopa County Human Services, RPTA (Regional Public Transportation Association), and the Fountain Hills Senior Services to improve the shuttle service route to and from the Senior Center, Mayo Clinic and neighboring cities.

In order to offset the costs associated with a rapidly growing population base the Community Development department successfully developed and instituted a Development Fee for new development within the Town. The fees are allocated among Parks and Recreation, Streets and Highways, Public Safety (Marshal Department), Open Space and General Government and will be used to fund additional parks, open space, etc., as the community grows.

The Fountain Hills Marshal Department successfully obtained funding for three officers through federal grants, one officer through a State Gang Task force grant, and also provided two resource officers to the local high school as additional security. The Department also sponsored a wide variety of youth service activities including Special Olympics, "Stranger Danger" presentations, Bicycle Safety Rodeos and a Fountain Hills Law Enforcement Explorer Post program.

The Town assisted the Arizona Department of Water Resources with a major dam renovation project, raising the Golden Eagle Park dam to meet the standard for a 100-year storm event. This will provide flood protection for the local middle and high school located in a field just below the dam. The remainder of the Town-owned dams were inspected and given favorable grades by the ADWR.

The Parks and Recreation Department sponsored a Mayor's Youth Council, the members of which attended the National League of Cities Conference in Boston, Massachusetts last year. The participation of youth members in the Council was increased by almost four times the number from the prior year.

Fountain Hills has four community parks for its citizens. The Town's namesake and landmark, Fountain Park, is a 59-acre passive recreation area, which includes: 30-acres of turf, a 29-acre lake with a "world famous fountain" that sends a jet stream 560 feet into the air. The park also includes a pump station, a dam, an 18-hole championship disc golf course, and a children's playground. During last fiscal year there were significant capital costs at Fountain Park last year involving replacement of the liner under the Fountain Lake. In addition, the park was upgraded with proceeds from a grant from the Arizona State Parks Heritage Fund.

FINANCIAL INFORMATION

Town Management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the government are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

In addition, the Town of Fountain Hills maintains extensive budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the government's council. Activities of the general fund, special revenue funds, debt service funds and capital projects funds are included in the annual budget. The level of budgetary control (i.e., the level at which expenditures cannot legally exceed the appropriated amount) is the departmental level for the General Fund and in total by fund for the other funds.

In May 2001 the Town's outstanding General Obligation debt was upgraded from A2 to Aa3. The upgrade was based on "substantial tax base and economic growth, driven by the Town's location within the Phoenix metropolitan area, conservative financial management strategies, resulting in substantial reserves, and a manageable debt profile".

As demonstrated by the statements and schedules included in the Financial Section of this report, the Town of Fountain Hills continues to meet its responsibility for sound financial management.

General Government Functions The following schedule presents a summary of General Fund, Special Revenue Funds, Debt Service Funds and Capital Projects Funds revenues for the fiscal year ended June 30, 2001 and the amount and percentage of increases and decreases in relation to prior year revenues.

Revenues				
Classification	2001 Amount	Percent of Total	Increase/ (Decrease) from 1999-2000	Percent Increase/ (Decrease)
Taxes	\$ 6,088,047	45.84%	\$ 1,211,581	24.85%
Intergovernmental	5,281,156	39.77%	509,364	10.67%
Fines and forfeitures	310,359	2.34%	16,389	5.58%
Licenses and permits	2,177,614	16.40%	(391,858)	-15.25%
Charges for services	431,316	3.25%	(23,050)	-5.07%
Rents and royalties	35,781	0.27%	8,573	31.51%
Contributions and donations	400	0.00%	(10,198)	-96.23%
Special Assessments	7,958	0.06%	(1,283)	-13.88%
Net investment income (loss)	(1,063,339)	-8.01%	(1,806,598)	-243.06%
Other	10,957	0.08%	(10,098)	-47.96%
Total	\$ 13,280,249	100.00%	\$ (497,178)	-3.61%

The General Government revenues total \$13,280,249 for fiscal year 2000-2001, which represents a decrease of \$497,178 or 3.61% from 1999-00. The \$1,211,581 increase in Taxes is primarily due to an increase in local sales tax revenues (\$835,660). In November 2000 the Town Council enacted a .4% increase in the local sales tax rate to 1.6% to be used for Land Preservation (.3%) and Downtown Development (.1%). Additionally there was an increase in secondary property tax revenue (\$412,474) to cover the debt service on voter-approved General Obligation bonds issued for construction of a new Library/Museum. Local sales tax revenues are generated primarily from construction and retail trade (69% of the total). The increase in Construction tax revenues over last fiscal year was only 3% - the lowest increase since the inception of the local sales tax. Retail trade revenues increased 29%.

Major items included in Intergovernmental (state-shared) revenue include state sales tax, highway user revenue, state income tax, vehicle license tax and grants. There was a 10.7% increase in state shared distributions largely due to the Town's population growth. The population increase resulted in an increase in proportionate share of State revenues. The Town also received \$229,000 more in grant revenue, primarily from State Heritage Grant funding for Parks. The Town continues to participate in the federal COPS Universal Hiring program for community policing. The increased enforcement and continued growth of the community contributes to the increase in Fines and Forfeitures of \$16,389, which consists primarily of traffic citations.

The decrease in investment earnings reflects a loss on investments of \$2,103,191 (see Note 3 to the financial statements). The investment funds were proceeds from bonds issued by the Municipal Property Corporation for construction of the new Community Center and held by a trustee. Despite the loss, the project will be completed as scheduled with expenditures being paid by the General Fund.

Growth in the area of new home construction in the Town of Fountain Hills has begun to show signs of slowing. Building Permit revenue collected declined by \$280,637, a 13% decrease over the prior year. During fiscal year 1999-2000 there were 390 single-family residence permits issued; during 2000-2001 there were 244 permits issued. However, there are two major commercial retail construction projects underway that will help to soften the economic impact in the event of a possible slowdown in construction activity. There was also a decrease in Encroachment and Improvement Plan Review fees of \$115,291.

Revenue received under the Charges for Services category includes Developer Contributions, In Lieu Payments and Parks & Recreation User Fees. The decrease in this category reflects the scheduled elimination in contributions from the developer, MCO Properties, as stipulated in the agreement with the Town.

The Town continues to maintain a large reserve fund, primarily invested with the Arizona State Local Government Investment Pool. The Library/Museum bond proceeds were invested with the Pool and generated interest earnings during the construction period. The cash reserves generated total interest earnings of \$1,031,123 in fiscal year 2000-2001.

The Other category of revenue is used for miscellaneous and not-otherwise-categorized sources of revenue.

The following schedule presents a summary of General Fund, Special Revenue Funds, Debt Service Funds and Capital Projects Funds expenditures for the fiscal year ended June 30, 2001 and the increases and decreases in relation to prior year amounts.

Expenditures				
<u>Department</u>	<u>2001 Amount</u>	<u>Percent of Total</u>	<u>Increase/ (Decrease) from 1999-2000</u>	<u>Percent Increase/ (Decrease)</u>
Current				
General government	\$ 3,646,500	17.07%	\$ 1,117,547	44.19%
Public safety	3,354,037	15.70%	295,017	9.64%
Highways and streets	2,212,432	10.35%	(256,066)	-10.37%
Culture and recreation	3,866,245	18.09%	506,736	15.08%
Community development	1,175,649	5.50%	(101,302)	-7.93%
Capital outlay	5,261,585	24.62%	3,474,116	194.36%
Debt service				
Principal retirement	620,408	2.90%	281,395	83.00%
Interest and fiscal charges	1,086,208	5.09%	501,207	85.68%
Bond issue costs	144,986	0.68%	144,986	n/a
Total	\$ 21,368,050	100.0%	\$ 5,963,636	38.71%

Expenditures for general operations totaled \$21,368,050, which was \$5,963,636 greater than the prior year. The most significant increase is in the Capital Outlay category, which reflects the expenditure for the new Town Community Center and Library/Museum construction projects in the amount of \$4,547,492. Additionally, during fiscal year 2000-01 the Town of Fountain Hills received funding from the Arizona State Parks Heritage Fund for Phase I improvements to Fountain Park (\$714,093).

The General Government function consists of the Administration, Magistrate Court and Town Council Departments. Expenditures of the Administration Department account for approximately \$900,000 of the difference between last fiscal year and 2000-2001. During the last fiscal year significant leasehold improvements were made to the existing Town Hall (\$416,000), which provided improved facilities and service to the citizens. Significant legal costs (\$400,000) were incurred as staff negotiated with the property owner to acquire 354 acres of open space. The voters of Fountain Hills approved \$6,000,000 in General Obligation bonds for the purchase of this land that will have access to the McDowell Mountain State Park. An agreement between the Town and the property owner has been reached and should be finalized by the end of calendar year 2001.

Public Safety includes Building Safety and the Town Marshal Department. The Marshal Department is responsible for all local law enforcement activities, which includes the annual contract with Maricopa County Sheriff's Office for outside police services (\$52,587 increase over prior year). The Town also receives federal funding through the U.S. Department of Justice, Office of Community Oriented Policing Services, which stipulates hiring and retaining new police officers. The federal funding of the officers is for a three year period and requires a decreased federal subsidy and increased Town contribution each year.

Culture and Recreation includes the new Community Center/Library/Museum under construction, four parks (121 acres), 25 acres of landscaped medians, and 1,100 acres of open space. The costs for the parks and medians are mainly for building maintenance costs, electricity, water and mowing/landscape maintenance fees. Major costs (\$1,200,000) were incurred in Fountain Park due to the lake liner replacement project that began in May of 2000. The remainder of the project was completed during October 2000.

Community Development expenditures decreased by \$101,302 due to decreased requirements for outside engineering fees.

Capital Outlay expenditures were for the new Community Center/Library/Museum and Phase I at Fountain Park. There was an increase from the prior year for land acquisition (\$1,363,500).

General Government Fund Balances

Fund balances reflect the accumulated excess of revenues and other financing sources over expenditures and other financing uses for general government functions. Unexpended appropriations lapse at the close of the fiscal year and revert to unreserved fund balance. The following schedule presents increases (decreases) in total fund balances by June 30, 2001, compared to the prior year.

General Fund Balance The fund balance of the General Fund decreased by \$1,604,400 from June 30, 2000. Without the investment loss the fund balance would have increased by \$498,791. The Town of Fountain Hills expects to be successful in the effort to recover the Municipal Property Corporation funds from the trustee.

Debt Administration On June 30, 2001, the Town had one Street and Highway User Revenue Bond, one Municipal Property Corporation Revenue Bond and three general obligation bonds issues outstanding. The outstanding principal totals \$4,530,000 for the new MPC Revenue Bond and \$8,209,873 for the general obligation bonds. The Town also had two Community Facilities District Bonds outstanding totaling \$4,905,000 and an Improvement District Bond outstanding for \$25,820.

Cash Management Policies and Practices The Town uses a system of consolidated cash management. Cash from all funds is pooled in a central disbursement fund. Cash to be used for payment of current expenditures is maintained in a checking account, the balance of cash is maintained on deposit with the Arizona State Treasurer's Local Government Investment Pool. Cash in the Local Government Investment Pool is available upon 24 hours notice. The LGIP invests in U.S. Treasury Notes, U.S. Treasury Bills and federally guaranteed insurance contracts. The average interest rate for fiscal year 1999-00 was 5.907% and 6.0617% for fiscal year 2000-2001. Investments held at LGIP earned interest revenue of \$524,270 for the year ended June 30, 2001.

Risk Management The Town of Fountain Hills participates in the Arizona Municipal Risk Retention Pool. Risk coverage includes general liability, errors and omissions, property and automobile insurance. The policy insures up to \$7,000,000 per incident occurrence plus any excess liability of up to \$8,000,000 per occurrence per year. Coverage is provided on a claims-made basis.

The Arizona Municipal Workers Compensation Fund is the Town's insurance provider for Workers' Compensation. The rate varies according to the functions performed by personnel.

Other Information

Independent Audit Arizona statutes require an annual audit by independent certified public accountants. The firm of Cronstrom and Trbovich P.C., CPAs was retained by the Town to perform the 2000-2001 audit. Generally accepted auditing standards were used by the auditors in conducting the engagement. The auditor's report on the general-purpose financial statements and combining, individual fund and account group statements and schedules is included in the Financial Section of this report.

Awards and Acknowledgements The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Fountain Hills for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2000. This was the fifth consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

I would also like to extend my appreciation to the Mayor and Council for their leadership and support. The preparation of this Comprehensive Annual Financial Report was made possible by the hard work of the Finance Department staff. Each member of the department has my sincere appreciation for the contributions made in the preparation of this report.

Respectfully submitted,



William E. Farrell
Acting Town Manager/Town Attorney

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Fountain Hills,
Arizona

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2000

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

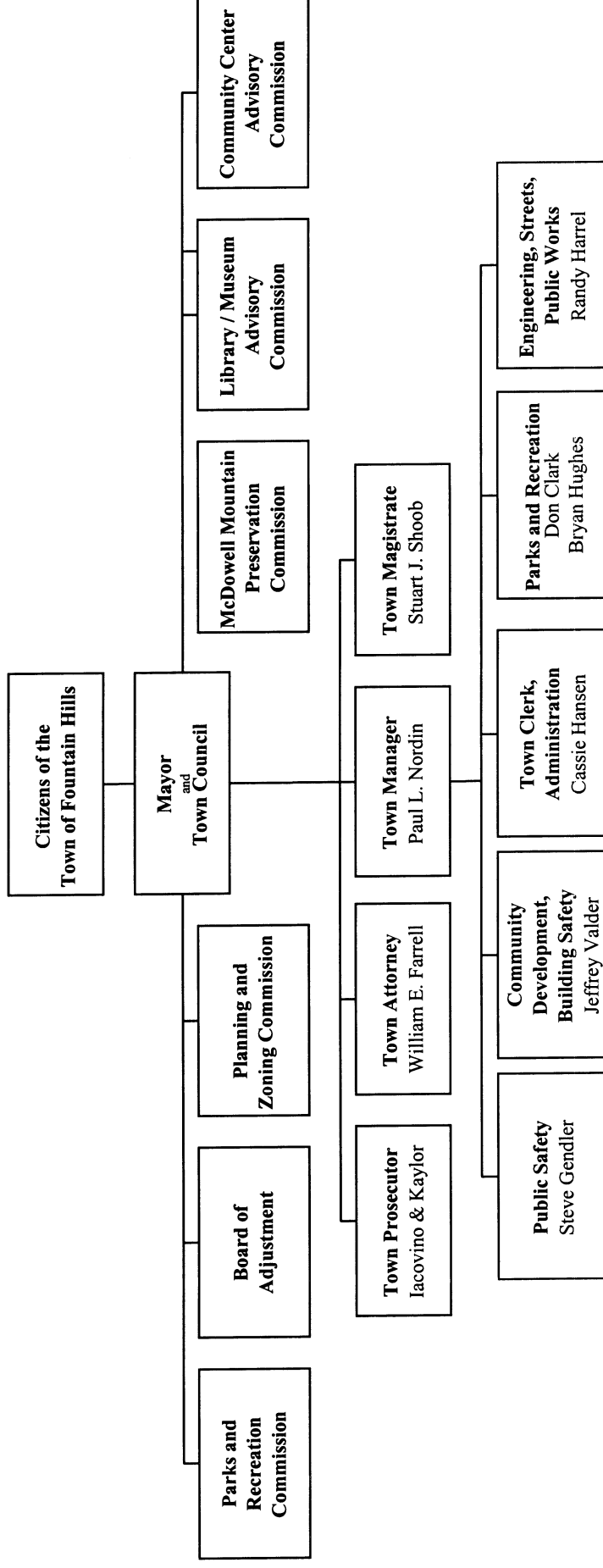


James D. Brown
President

Jeffrey L. Esler
Executive Director

Town of Fountain Hills

Organizational Structure



TOWN OF FOUNTAIN HILLS, ARIZONA

LIST OF PRINCIPAL OFFICIALS

ELECTED OFFICIALS

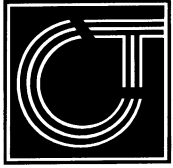
Mayor	Ms. Sharon Morgan
Vice-Mayor	Mr. John Wyman
Councilmember	Ms. Sharon Hutcheson
Councilmember	Ms. Leesa Fraverd
Councilmember	Dr. John Kavanagh
Councilmember	Mr. John McNeill
Councilmember	Ms. Susan Ralphe

DEPARTMENT HEADS

Acting Town Manager/Town Attorney	William E. Farrell
Magistrate	Stuart Shoob
Planning & Zoning Director	Jeffrey Valder
Town Clerk/Director of Administration	Cassie Hansen
Town Engineer	Randy Harrel
Director of Public Safety	Steve Gendler
Parks & Recreation Deputy Directors	Don Clark Bryan Hughes
Town Prosecutor	Iacovino & Kayler
Street Superintendent	Pat Harvey

FINANCIAL SECTION

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CRONSTROM & TRBOVICH

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and the Town Council of the
Town of Fountain Hills, Arizona

We have audited the accompanying general-purpose financial statements of the Town of Fountain Hills, Arizona (Town), as of and for the year ended June 30, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Town of Fountain Hills, Arizona as of June 30, 2001, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The combining, individual fund and account group financial statements and schedules listed in the table of contents as supplementary information are presented for purposes of additional analysis and are not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general-purpose financial statements taken as a whole.

The other information included in this report, designated as the "Statistical Section" in the table of contents, was not audited by us and, accordingly, we express no opinion on it.

Cronstrom & Trbovich, P.C.

Cronstrom & Trbovich, P.C.

October 29, 2001

General-Purpose Financial Statements

TOWN OF FOUNTAIN HILLS, ARIZONA
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
AS OF JUNE 30, 2001

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits				
Assets				
Cash and investments	\$ 4,832,572	\$ 427,125	\$ 5,243,341	\$ 1,838,577
Cash on deposit with paying agent	-	-	990,452	-
Accounts receivable	202	-	-	-
Taxes receivable	-	221	36,433	-
Intergovernmental receivable	562,362	189,533	-	458,444
Interest receivable	34,356	-	-	-
Special assessments receivable	-	-	16,138	-
Due from other funds	509,180	-	-	-
Prepaid items	3,304	1,456	-	-
Fixed assets	-	-	-	-
Other Debits				
Amount available in debt service fund	-	-	-	-
Amount to be provided for retirement of general long-term debt	-	-	-	-
Total Assets and Other Debits	<u>\$ 5,941,976</u>	<u>\$ 618,335</u>	<u>\$ 6,286,364</u>	<u>\$ 2,297,021</u>
Liabilities, Equity and Other Credits				
Liabilities				
Accounts payable	\$ 858,819	\$ 382,788	\$ -	\$ 67,170
Accrued wages and benefits	143,475	32,996	-	-
Contracts payable	83,469	126,089	-	271,301
Due to developer	-	-	4,435,000	-
Retainage payable	8,284	4,472	-	8,397
Interest payable	-	-	550,215	-
Intergovernmental payable	72,967	-	-	-
Due to other funds	-	221	129,923	379,036
Refundable deposits	26,775	-	-	-
Deferred revenue	38,126	62,602	41,388	-
Compensated absences payable	-	-	-	-
General obligation bonds payable	-	-	447,590	-
Revenue bonds payable	-	-	150,000	-
Community facilities district bonds payable	-	-	-	-
Special assessment debt with government commitment	-	-	-	-
Total Liabilities	<u>1,231,915</u>	<u>609,168</u>	<u>5,754,116</u>	<u>725,904</u>
Equity and Other Credits				
Investment in general fixed assets	-	-	-	-
Fund balances				
Reserved for prepaid items	3,304	1,456	-	-
Unreserved, undesignated	4,706,757	7,711	532,248	1,571,117
Total Equity and Other Credits	<u>4,710,061</u>	<u>9,167</u>	<u>532,248</u>	<u>1,571,117</u>
Total Liabilities, Equity and Other Credits	<u>\$ 5,941,976</u>	<u>\$ 618,335</u>	<u>\$ 6,286,364</u>	<u>\$ 2,297,021</u>

The accompanying notes to financial statements are an integral part of this statement.

Account Groups		
General Fixed Assets	General Long-term Debt	Totals (Memorandum Only)
\$ -	\$ -	\$ 12,341,615
-	-	990,452
-	-	202
-	-	36,654
-	-	1,210,339
-	-	34,356
-	-	16,138
-	-	509,180
-	-	4,760
27,482,521	-	27,482,521
-	532,248	532,248
-	<u>17,392,308</u>	<u>17,392,308</u>
<u>\$ 27,482,521</u>	<u>\$ 17,924,556</u>	<u>\$ 60,550,773</u>
\$ -	\$ -	\$ 1,308,777
-	-	176,471
-	-	480,859
-	-	4,435,000
-	-	21,153
-	-	550,215
-	-	72,967
-	-	509,180
-	-	26,775
-	-	142,116
-	253,863	253,863
-	8,209,873	8,657,463
-	4,530,000	4,680,000
-	4,905,000	4,905,000
-	<u>25,820</u>	<u>25,820</u>
-	<u>17,924,556</u>	<u>26,245,659</u>
27,482,521	-	27,482,521
-	-	4,760
-	-	<u>6,817,833</u>
<u>27,482,521</u>	-	<u>34,305,114</u>
<u>\$ 27,482,521</u>	<u>\$ 17,924,556</u>	<u>\$ 60,550,773</u>

The accompanying notes to financial statements are an integral part of this statement.

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TOWN OF FOUNTAIN HILLS, ARIZONA
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 ALL GOVERNMENTAL FUND TYPES
 YEAR ENDED JUNE 30, 2001

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Revenues					
Taxes	\$ 5,049,156	\$ 3,200	\$ 1,035,691	\$ -	\$ 6,088,047
Intergovernmental	3,584,669	1,457,808	-	238,679	5,281,156
Fines and forfeitures	310,359	-	-	-	310,359
Licenses and permits	2,177,614	-	-	-	2,177,614
Charges for services	237,008	93,986	-	100,322	431,316
Rents and royalties	35,781	-	-	-	35,781
Contributions and donations	400	-	-	-	400
Special assessments	-	-	7,958	-	7,958
Net investment income (loss)	380,824	7,855	318,982	(1,771,000)	(1,063,339)
Other	10,957	-	-	-	10,957
Total Revenues	<u>11,786,768</u>	<u>1,562,849</u>	<u>1,362,631</u>	<u>(1,431,999)</u>	<u>13,280,249</u>
Expenditures					
Current					
General government	3,646,500	-	-	-	3,646,500
Public safety	3,096,053	257,984	-	-	3,354,037
Highways and streets	-	2,212,432	-	-	2,212,432
Culture and recreation	3,864,745	1,500	-	-	3,866,245
Community development	1,175,649	-	-	-	1,175,649
Capital outlay	-	-	-	5,261,585	5,261,585
Debt service					
Principal retirement	-	-	620,408	-	620,408
Interest and fiscal charges	-	-	1,086,208	-	1,086,208
Bond issuance costs	-	-	-	144,986	144,986
Total Expenditures	<u>11,782,947</u>	<u>2,471,916</u>	<u>1,706,616</u>	<u>5,406,571</u>	<u>21,368,050</u>
Excess of revenues over (under) expenditures	<u>3,821</u>	<u>(909,067)</u>	<u>(343,985)</u>	<u>(6,838,570)</u>	<u>(8,087,801)</u>
Other financing sources (uses)					
Operating transfers in	-	1,034,234	540,405	258,553	1,833,192
Operating transfers out	(1,608,221)	(116,000)	(64,334)	(44,637)	(1,833,192)
Proceeds from sale of bonds	-	-	-	4,641,980	4,641,980
Total other financing sources (uses)	<u>(1,608,221)</u>	<u>918,234</u>	<u>476,071</u>	<u>4,855,896</u>	<u>4,641,980</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>(1,604,400)</u>	<u>9,167</u>	<u>132,086</u>	<u>(1,982,674)</u>	<u>(3,445,821)</u>
Fund balance, beginning of year	<u>6,314,461</u>	<u>-</u>	<u>400,162</u>	<u>3,553,791</u>	<u>10,268,414</u>
Fund balance, end of year	<u>\$ 4,710,061</u>	<u>\$ 9,167</u>	<u>\$ 532,248</u>	<u>\$ 1,571,117</u>	<u>\$ 6,822,593</u>

The accompanying notes to financial statements are an integral part of this statement.

TOWN OF FOUNTAIN HILLS, ARIZONA
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2001

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues						
Taxes	\$ 4,117,000	\$ 5,049,156	\$ 932,156	\$ 3,200	\$ 3,200	\$ -
Intergovernmental	3,491,800	3,584,669	92,869	3,021,999	1,457,808	(1,564,191)
Fines and forfeitures	340,500	310,359	(30,141)	-	-	-
Licenses and permits	2,570,000	2,177,614	(392,386)	-	-	-
Charges for services	254,875	237,008	(17,867)	80,000	93,986	13,986
Rents and royalties	25,000	35,781	10,781	-	-	-
Contributions and donations	-	400	400	-	-	-
Special assessments	-	-	-	-	-	-
Net investment income (loss)	425,000	380,824	(44,176)	-	7,855	7,855
Other	30,000	10,957	(19,043)	500	-	(500)
Total Revenues	<u>11,254,175</u>	<u>11,786,768</u>	<u>532,593</u>	<u>3,105,699</u>	<u>1,562,849</u>	<u>(1,542,850)</u>
Expenditures						
Current						
General government	7,337,476	3,646,500	3,690,976	1,475,000	-	1,475,000
Public safety	3,163,260	3,096,053	67,207	302,399	257,984	44,415
Highways and streets	-	-	-	3,170,309	2,212,432	957,877
Culture and recreation	4,255,475	3,864,745	390,730	3,000	1,500	1,500
Community development	1,516,570	1,175,649	340,921	-	-	-
Capital outlay	-	-	-	-	-	-
Debt service						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-
Total Expenditures	<u>16,272,781</u>	<u>11,782,947</u>	<u>4,489,834</u>	<u>4,950,708</u>	<u>2,471,916</u>	<u>2,478,792</u>
Excess of revenues over (under) expenditures	<u>(5,018,606)</u>	<u>3,821</u>	<u>5,022,427</u>	<u>(1,845,009)</u>	<u>(909,067)</u>	<u>935,942</u>
Other financing sources (uses)						
Operating transfers in	-	-	-	1,961,000	1,034,234	(926,766)
Operating transfers out	(1,957,800)	(1,608,221)	349,579	(116,000)	(116,000)	-
Proceeds from sale of bonds	-	-	-	-	-	-
Total other financing sources (uses)	<u>(1,957,800)</u>	<u>(1,608,221)</u>	<u>349,579</u>	<u>1,845,000</u>	<u>918,234</u>	<u>(926,766)</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>(6,976,406)</u>	<u>(1,604,400)</u>	<u>5,372,006</u>	<u>(9)</u>	<u>9,167</u>	<u>9,176</u>
Fund balance, beginning of year	<u>6,976,406</u>	<u>6,314,461</u>	<u>(661,945)</u>	<u>37</u>	<u>-</u>	<u>(37)</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ 4,710,061</u>	<u>\$ 4,710,061</u>	<u>\$ 28</u>	<u>\$ 9,167</u>	<u>\$ 9,139</u>

The accompanying notes to financial statements are an integral part of this statement.

Debt Service			Capital Projects		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ 956,785	\$ 1,035,691	\$ 78,906	\$ -	\$ -	\$ -
-	-	-	1,400,000	238,679	(1,161,321)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
4,800	7,958	3,158	-	-	-
97,350	318,982	221,632	110,000	(1,771,007)	(1,881,007)
-	-	-	-	-	-
<u>1,058,935</u>	<u>1,362,631</u>	<u>303,696</u>	<u>1,510,000</u>	<u>(1,532,328)</u>	<u>(3,042,328)</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	9,610,000	5,261,585	4,348,415
620,428	620,408	20	-	-	-
1,113,790	1,086,208	27,582	-	-	-
-	-	-	-	144,986	(144,986)
<u>1,734,218</u>	<u>1,706,616</u>	<u>27,602</u>	<u>9,610,000</u>	<u>5,406,571</u>	<u>4,203,429</u>
<u>(675,283)</u>	<u>(343,985)</u>	<u>331,298</u>	<u>(8,100,000)</u>	<u>(6,938,899)</u>	<u>1,161,101</u>
509,113	540,405	31,292	-	258,553	258,553
-	(64,334)	(64,334)	-	(44,637)	(44,637)
-	-	-	4,600,000	4,641,980	41,980
<u>509,113</u>	<u>476,071</u>	<u>(33,042)</u>	<u>4,600,000</u>	<u>4,855,896</u>	<u>255,896</u>
(166,170)	132,086	298,256	(3,500,000)	(2,083,003)	1,416,997
<u>166,170</u>	<u>400,162</u>	<u>233,992</u>	<u>3,500,000</u>	<u>3,553,791</u>	<u>53,791</u>
<u>\$ -</u>	<u>\$ 532,248</u>	<u>\$ 532,248</u>	<u>\$ -</u>	<u>\$ 1,470,788</u>	<u>\$ 1,470,788</u>

The accompanying notes to financial statements are an integral part of this statement.

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TOWN OF FOUNTAIN HILLS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2001

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The general-purpose financial statements of the Town of Fountain Hills, Arizona (Town) conform to generally accepted accounting principles as applicable to governmental units. The Town was incorporated on December 5, 1989 and operates under the Town Council form of government. The more significant of the Town's accounting policies are described below.

Reporting Entity - In evaluating how to define the Town, for financial reporting purposes, management has identified two potential component units. The decision to include a potential component unit in the reporting entity has been made by applying criteria set forth in generally accepted accounting principles. Generally, component units are legally separate organizations for which the elected officials of the primary government (i.e., the Town) are financially accountable. The primary government is financially accountable for a potential component unit if it: appoints a voting majority of the potential component unit's governing body; and, either is able to impose its will on the potential component unit or there is a possibility of the potential component unit to provide specific financial benefits to, or impose specific financial burdens on the primary government. In addition, a primary government may be financially accountable for a potential component unit even though the potential component unit may have a separately elected governing board, a board appointed by another government, or a jointly appointed board if the potential component unit is fiscally dependent on the primary government (e.g., the primary government must approve the potential component unit's budget, tax rates, etc.). The following component units have been included in the Town's reporting entity:

The Eagle Mountain Community Facilities District and the Cottonwoods Improvement and Maintenance District. As special purpose districts and separate political subdivisions under the Arizona Constitution, the Districts can levy taxes and issue bonds independently of the Town. Property owners in the designated areas are assessed for District taxes and thus for the costs of operating the Districts. The Town Council serves as the Board of Directors; however, the Town has no liability for the Districts' debt. For financial reporting purposes, transactions of the Districts are combined together and included as if they were part of the Town's operations.

Town of Fountain Hills, Arizona Municipal Property Corporation. The Town of Fountain Hills, Arizona Municipal Property Corporation's (MPC) board of directors consists of three members which are appointed by the Fountain Hills Town Council. The MPC, which is a nonprofit corporation incorporated under the laws of the State of Arizona, was formed for the sole purpose of assisting the Town in obtaining financing for various projects of the Town. The Town has a "moral obligation" for the repayment of the MPC's bonds.

TOWN OF FOUNTAIN HILLS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2001

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Fund Accounting - The accounts of the Town are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the general-purpose financial statements in this report, into generic fund types and broad categories as follows:

Governmental Funds

General Fund - The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds - The Debt Service Funds account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Capital Projects Funds - The Capital Projects Funds are used to account for specific revenue sources that are legally restricted to expenditures for the acquisition or construction of general fixed assets.

Account Groups

General Fixed Assets - The General Fixed Assets Account Group accounts for the fixed assets of the Town.

General Long-term Debt - The General Long-term Debt Account Group accounts for the unmatured principal balances of bonds and other long-term debt not reported in proprietary funds.

TOWN OF FOUNTAIN HILLS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2001

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Measurement Focus - The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental Funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Basis of Accounting - Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements.

Governmental Funds are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available to finance expenditures of the current period. Expenditures are recognized when the related fund liability is incurred. However, since debt service resources are provided during the current year for payment of general long-term debt principal and interest due early in the following year, the expenditures and related liabilities have been recognized in the Debt Service Funds.

Those revenues susceptible to accrual are intergovernmental grants and appropriations, franchise taxes, licenses, interest revenue and charges for services. Sales taxes collected and held by the state at year end on behalf of the government also are recognized as revenue. Fines, permits and parking meter revenues are not susceptible to accrual because generally they are not measurable until received in cash.

Budgetary Accounting - The Town Council follows these procedures in establishing the budgetary data reflected in the general-purpose financial statements:

1. In accordance with Arizona Revised Statutes, the Town Manager submits a proposed budget for the fiscal year commencing the following July 1 to the Town Council. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
2. Public hearings are conducted to obtain taxpayer comment.
3. State law requires that, prior to April 1, the Economic Estimates commission provides the Town with a final expenditure limit for the coming fiscal year. To ensure compliance with the expenditure limitation, a uniform expenditure report must be filed with the State each year. This report, issued under a separate cover, reconciles total Town expenditures from the audited general-purpose financial statements to total expenditures for reporting in accordance with the State's uniform expenditure reporting system (A.R.S. §41-1279.07).

TOWN OF FOUNTAIN HILLS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2001

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

4. By Arizona Constitution, expenditures may not legally exceed the expenditure limitation described below of all fund types as a whole. For management purposes, the Town adopts a budget by department for the General Fund and in total by fund for other funds. The Town Manager, subject to Town Council approval, may at any time transfer any unencumbered appropriation balance or portion thereof between a department or activity. The adopted budget cannot be amended in any way without Town Council approval.
5. Legal budgets are adopted for the General, Special Revenue, Debt Service and Capital Projects Funds on essentially the same modified accrual basis of accounting used to record actual revenues and expenditures. (See Note 12 for exception.)

The Town is subject to the State of Arizona's Spending Limitation Law for Towns and Cities. This law does not permit the Town to spend more than budgeted revenues plus the carry-over unrestricted cash balance from the prior fiscal year. The limitation is applied to the total of the combined funds. The Town complied with this law during the year.

No supplementary budgetary appropriations were necessary during the year.

Encumbrances - Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve that portion of the applicable fund balance, is not employed by the Town during the year.

All appropriations lapse at year-end.

Cash Equivalents - Cash equivalents consist of short-term, highly liquid investments that are both (a) readily convertible to known amounts of cash; and (b) so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only investments with original maturities of three months or less meet this definition.

Investments - Investments in securities are stated at fair value in accordance with GASB Statement No. 31.

Short-term Interfund Receivables/Payables - During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

TOWN OF FOUNTAIN HILLS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2001

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Inventory of Supplies - Purchases of such inventory items are recorded at the time of purchase as expenditures in the funds from which the purchases are made; and because the amounts on hand at June 30, 2001 were immaterial, they are not included in the balance sheet.

Prepaid Items - Payments made to vendors for services that will benefit periods beyond June 30, 2001, are recorded as prepaid items. Expenditures for prepaid items are recorded using the consumption method.

Property, Plant and Equipment - Fixed assets used in governmental fund type operations are accounted for in the General Fixed Assets Account Group. Public domain (infrastructure) assets consisting of certain improvements other than buildings, such as roads and sidewalks are not capitalized, as these assets are immovable and of value only to the government. Property, plant and equipment acquired or constructed for general governmental operations are recorded at the time of purchase as expenditures in the funds from which the expenditures were made.

Property, plant and equipment is recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair market value on the date donated.

Assets in the general fixed assets account group are not depreciated.

Fund Equity - The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances for governmental funds represent the amount that has been legally identified for specific purposes.

Compensated Absences - Because all vested or accumulated vacation leave is not expected to be liquidated with expendable available financial resources, it is reported in the general long-term debt account group.

Interfund Transactions - Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

TOWN OF FOUNTAIN HILLS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2001

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concl'd)

Property Tax Revenues - Property tax revenues are recognized as revenues in the fiscal year they are levied and collected or if they are collected within 60 days subsequent to fiscal year-end. Property taxes not collected within 60 days subsequent to fiscal year-end or collected in advance of the fiscal year for which they are levied, are reported as deferred revenues.

The County levies real property taxes on or before the third Monday in August that become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May.

The County also levies various personal property taxes during the year that are due the second Monday of the month following receipt of the tax notice and become delinquent 30 days thereafter.

Total Columns - Total columns on the combined financial statements are captioned "Memorandum Only" to indicate they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Expenditures exceeded the adopted budget in the following funds:

<u>Fund</u>	<u>Amount of Overexpenditure</u>
General Fund:	
General and Administrative	\$ 113,098
Town Marshal	15
Debt Service Funds:	
HURF Debt Service	423
Eagle Mountain Debt Service	5,881

Cash or receivables were available to meet all of the overexpenditures listed above.

A deficit fund balance of \$122,939 existed in the General Obligation Debt Service Fund at June 30, 2001.

TOWN OF FOUNTAIN HILLS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2001

NOTE 3 - CASH AND INVESTMENTS

Cash and investments are pooled and invested. Interest earned from investments purchased with such pooled monies is allocated to each of the funds based on the average monthly cash balances of the Town. State statutes authorize the Town to invest in obligations of the U.S. Treasury and U.S. agencies, certificates of deposit in eligible depositories, repurchase agreements, obligations of the State of Arizona or any of its counties or incorporated cities, towns or duly organized school districts, improvement districts in this state and the State Treasurer's Local Government Investment Pool.

Cash and investments at June 30, 2001 consist of the following:

Cash on hand	\$ 361
Cash in bank	208,533
Investments	12,132,721
Cash on hand with paying agent	<u>990,452</u>
Total cash and investments	13,332,067
Cash on deposit with paying agent	<u>(990,452)</u>
Total cash and investments on the combined balance sheet	<u>\$ 12,341,615</u>

The Town's deposits as of June 30, 2001 were entirely insured or collateralized with securities held by the Town's custodial bank in the Town's name.

The Town's investments at June 30, 2001, consisted of the following. The State Board of Deposit provides oversight for the State Treasurer's pools, and the Local Government Investment Pool Advisory Committee provides consultation and advice to the Treasurer. The fair value of a participant's position in the pool approximates the value of that participant's pool shares. The shares are not identified with specific investments and are not subject to custodial credit risk. The guaranteed insurance contract is also not subject to custodial credit risk. All other investments were insured or registered in the Town's name or were held by the Town or its agent in the Town's name.

TOWN OF FOUNTAIN HILLS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2001

NOTE 3 - CASH AND INVESTMENTS (Concl'd)

	<u>Carrying Amount</u>	<u>Fair Value</u>
U.S. government securities	\$ 783,242	\$ 783,242
Guaranteed Insurance Contract	4,450,765	4,450,765
State Treasurer's Investment Pool	6,845,350	6,845,350
Investment in Cottonwoods		
Improvement Bonds	25,820	25,820
Cash with Trustee	<u>27,544</u>	<u>27,544</u>
 Total	 <u>\$ 12,132,721</u>	 <u>\$ 12,132,721</u>

During the fiscal year 2000-01, the Town realized a loss of \$2,103,191 in the fair value of their investments. The loss was recognized on the face of the financial statements net of investment income. The following summary is useful to reconcile the loss to the net investment income (loss) recorded in the general purpose financial statements:

Interest on investments	\$ 1,039,852
Investment loss	<u>(2,103,191)</u>
 Net investment income (loss)	 <u>\$ (1,063,339)</u>

NOTE 4 - PROPERTY TAXES RECEIVABLE

Property taxes receivable consist of uncollected property taxes as determined from the records of the County Treasurer's Office, and at June 30, 2001, were as follows.

<u>Year</u>	<u>General Obligation Debt Service Fund</u>	<u>Eagle Mountain Debt Service Fund</u>	<u>Total Debt Service</u>
2000-01	\$ 23,455	\$ 10,502	\$ 33,957
1999-00	322	5	327
1998-99	95	1,167	1,262
1997-98	-0-	-0-	-0-
1996-97	25	-0-	25
Prior	<u>862</u>	<u>-0-</u>	<u>862</u>
 Total	 <u>\$ 24,759</u>	 <u>\$ 11,674</u>	 <u>\$ 36,433</u>

That portion of property taxes receivable not collected within 60 days after June 30, 2001, has been deferred and, consequently, is not included in current year revenues.

TOWN OF FOUNTAIN HILLS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2001

NOTE 5 - CHANGES IN GENERAL FIXED ASSETS

A summary of the changes in general fixed assets follows.

	<u>Balance July 1, 2000</u>	<u>Additions</u>	<u>Deletions</u>	<u>Completed Construction</u>	<u>Balance June 30, 2001</u>
Land and improvements	\$ 14,668,991	\$ 2,258,636	\$ -0-	\$ -0-	\$ 16,927,627
Buildings and improvements	1,465,837	120,803	-0-	-0-	1,586,640
Improvements other than buildings	166,953	-0-	-0-	-0-	166,953
Furniture, equipment and vehicles	2,631,501	654,854	-0-	-0-	3,286,355
Construction in progress	<u>909,759</u>	<u>4,605,187</u>	<u>-0-</u>	<u>-0-</u>	<u>5,514,946</u>
Total	<u>\$ 19,843,041</u>	<u>\$ 7,639,480</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 27,482,521</u>

The estimated cost to complete construction at June 30, 2001 was \$1,746,256.

NOTE 6 - OBLIGATIONS UNDER LEASES

Operating Lease - The Town leases office space under the provisions of a long-term lease agreement classified as an operating lease. Rental expenditures under the terms of the operating lease totaled \$357,000 for the year ended June 30, 2001. The operating lease is cancelable with a 90-day notice.

TOWN OF FOUNTAIN HILLS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2001

NOTE 7 - BONDS PAYABLE

General Obligation Bonds

Bonds payable at June 30, 2001 consisted of the outstanding bonds presented below. Bonds maturing prior to July 1, 2001 are noncallable. Bonds maturing thereafter are subject to call. Interest is payable semiannually. Principal and interest requirements at June 30, 2001 were as follows.

<u>Description</u>	<u>Interest Rates(%)</u>	<u>Maturity</u>	<u>Outstanding Principal July 1, 2000</u>	<u>Issues/ (Retirements)</u>	<u>Outstanding Principal June 30, 2001</u>
Street and Highway User Revenue Refunding Bonds, Series 1998	3.75-4.625	7/1/00-10	\$ 1,045,000	\$ (70,000)	\$ 975,000
General Obligation Bonds, Series 1991	7.0-10.0	7/1/00-2000	175,000	(175,000)	-0-
General Obligation Refunding Bonds, Series 1995	4.6-5.3	7/1/00-2010	2,672,163	(39,700)	2,632,463
General Obligation Bonds, Series 1999	5.1-6.5	7/1/00-2014	1,400,000	(50,000)	1,350,000
General Obligation Bonds, Series 2000	5.5-7.0	7/1/01-2014	<u>3,700,000</u>	<u>-0-</u>	<u>3,700,000</u>
			<u>\$ 8,992,163</u>	<u>\$ (334,700)</u>	8,657,463
Less: amounts transferred to Debt Service Funds to retire bonds payable on July 1, 2001					<u>(447,590)</u>
Total long-term bonds payable					<u>\$ 8,209,873</u>

TOWN OF FOUNTAIN HILLS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2001

NOTE 7 - BONDS PAYABLE (Concl'd)

General obligation bond debt service requirements to maturity, including \$2,895,444 of interest, are as follows:

Year ending June 30:

2002	\$ 1,011,418
2003	995,263
2004	981,453
2005	974,558
2006	981,843
Thereafter	<u>6,160,782</u>
	<u>\$ 11,105,317</u>

Revenue Bonds

<u>Description</u>	<u>Interest Rates(%)</u>	<u>Maturity</u>	<u>Outstanding Principal July 1, 2000</u>	<u>Issues/ (Retirements)</u>	<u>Outstanding Principal June 30, 2001</u>
MPC					
Series 2000	4.5-5.625%	7/1/01-10	<u>\$ -0-</u>	<u>\$ 4,680,000</u>	\$ 4,680,000
Less: amounts transferred to Debt Service Funds to retire bonds payable on July 1, 2001					<u>(150,000)</u>
Total long-term bonds payable					<u>\$ 4,530,000</u>

Revenue bond debt service requirements to maturity, including \$2,839,628 of interest, are as follows:

Year ending June 30:

2002	\$ 389,563
2003	382,513
2004	375,313
2005	392,963
2006	384,388
Thereafter	<u>5,444,888</u>
	<u>\$ 7,369,628</u>

TOWN OF FOUNTAIN HILLS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FISCAL YEAR ENDED JUNE 30, 2001

NOTE 8 - SPECIAL ASSESSMENT DEBT WITH GOVERNMENT COMMITMENT

Special assessment debt with government commitment at June 30, 2001 consisted of the outstanding bond presented below. The bond is owned by the Town. The bond is generally callable with interest payable semiannually. Principal and interest requirements at June 30, 2001, were as follows.

<u>Description</u>	<u>Interest Rates(%)</u>	<u>Maturity</u>	<u>Outstanding Principal July 1, 2000</u>	<u>Issues/ (Retirements)</u>	<u>Outstanding Principal June 30, 2001</u>
Cottonwoods Improvement Bond	5.25	1/1/01-09	<u>\$ 29,048</u>	<u>\$ (3,228)</u>	<u>\$ 25,820</u>

General obligation bond debt service requirements to maturity, including \$5,423 of interest, are as follows:

Year ending June 30:

2002	\$ 4,498
2003	4,329
2004	4,160
2005	3,990
2006	3,821
Thereafter	<u>10,445</u>
	<u>\$ 31,243</u>

Improvement Districts are created only by petition of the Town Council by property owners within the District areas. The Cottonwoods Improvement District was created so the Town could fund the improvements. Each of the 54 homeowners within the District has been assessed taxes by the Town for repayment of the bond. In case of default, the Town has the responsibility to cover delinquencies of special assessment bonds with other sources until foreclosure proceeds are received.

TOWN OF FOUNTAIN HILLS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FISCAL YEAR ENDED JUNE 30, 2001

NOTE 9 - COMMUNITY FACILITIES DISTRICT BONDS PAYABLE

Community Facilities District bonds payable at June 30, 2001 consisted of the outstanding bonds presented below. The bonds are generally callable with interest payable semiannually. Of the total amount originally authorized, \$2,095,000 remains unissued. Principal and interest requirements at June 30, 2001 were as follows.

<u>Description</u>	<u>Interest Rates(%)</u>	<u>Maturity</u>	<u>Outstanding Principal July 1, 2000</u>	<u>Issues/ (Retirements)</u>	<u>Outstanding Principal June 30, 2001</u>
Series 1996-A	5.5-6.5	7/1/03-21	\$ 4,435,000	\$ -0-	\$ 4,435,000
Series 1996-B	7.25	7/1/03-21	<u>470,000</u>	<u>-0-</u>	<u>470,000</u>
Total long-term bonds payable			<u>\$ 4,905,000</u>	<u>\$ -0-</u>	<u>\$ 4,905,000</u>

Community Facilities District bond debt service requirements to maturity, including \$4,076,450 of interest are as follows:

Year ending June 30:

2002	\$ 313,350
2003	453,350
2004	455,475
2005	456,828
2006	457,403
Thereafter	<u>6,845,044</u>
	<u>\$ 8,981,450</u>

Community facilities districts (CFDs) are created only by petition to the Town Council by property owners within the District areas. As board of directors for the District, the Town Council has adopted a formal policy that CFD debt will be permitted only when the ratio of full cash value of the District property (prior to improvements being installed), when compared to proposed District debt, is a minimum of 3 to 1 prior to issuance of debt and 5 to 1 or higher after construction of improvements. These ratios are verified by an appraisal paid for by the District and administered by the Town. In addition, cumulative debt of all CFDs cannot exceed 5 percent of the Town's secondary assessed valuation.

TOWN OF FOUNTAIN HILLS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2001

NOTE 9 - COMMUNITY FACILITIES DISTRICT BONDS PAYABLE (Concl'd)

The developer contributed \$4,435,000 to the CFD to guarantee the repayment of the Series 1996 A bonds. The District then established a guaranteed investment contract with a trustee as collateral for the Series 1996 A bonds, which provides for an A rating for the bonds from Standard & Poor's Corporation. When property valuation in the Eagle Mountain development is sufficient to establish an A rating on the bonds without the guaranteed contract, the developer may apply to the CFD Board to have the \$4,435,000 returned. Until then, all interest earned on the guaranteed investment contract is deposited into the Debt Service Fund of the CFD. Because it is the intention of the CFD to return this money to the developer as long as property taxes are sufficient to repay the bonds, it has been recorded as due to developer.

NOTE 10 - COMPENSATED ABSENCES

The liability for vested compensated absences is recorded in the General Long-Term Debt Account Group. A summary of changes in liabilities for compensated absences for the year ended June 30, 2001, follows.

Balance at July 1, 2000	\$ 175,792
Current year increase in liabilities for compensated absences	<u>78,071</u>
Balance at June 30, 2001	<u>\$ 253,863</u>

NOTE 11 - INTERFUND RECEIVABLES AND PAYABLES

As of June 30, 2001, interfund receivables and payables that resulted from various interfund transactions were as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 509,180	\$ -0-
Special Revenue Fund:		
Cottonwoods Maintenance District	-0-	221
Debt Service Fund:		
General Obligation Debt Service Fund	-0-	129,923
Capital Projects Fund:		
Heritage Grant Fund	<u>-0-</u>	<u>379,036</u>
	<u>\$ 509,180</u>	<u>\$ 509,180</u>

TOWN OF FOUNTAIN HILLS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2001

NOTE 12 - BUDGETARY BASIS OF ACCOUNTING

The adopted budget of the Town was prepared on a basis consistent with generally accepted accounting principles, with one exception. A budget for the Development Fees Capital Projects Fund was not prepared. The following summary is useful to reconcile the Combined Statement of Revenues, Expenditures and Changes in Fund Balances to the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual:

	<u>Total Revenues</u>	<u>Total Expenditures</u>	<u>Fund Balance at Beginning of Year</u>
Combined Statement of Revenues, Expenditures and Changes in Fund Balances	\$ (1,431,999)	\$ 5,406,571	\$ 3,553,791
Less: fund with no adopted budget	<u>(100,329)</u>	<u>-0-</u>	<u>-0-</u>
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	<u>\$ (1,532,328)</u>	<u>\$ 5,406,571</u>	<u>\$ 3,553,791</u>

NOTE 13 - CONTINGENT LIABILITIES

Accumulated Sick Leave - Sick leave benefits provide for ordinary sick pay and are cumulative but do not vest with employees and, therefore, are not accrued. Unvested accumulated sick leave of Town employees at June 30, 2001, totaled \$502,069.

TOWN OF FOUNTAIN HILLS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2001

NOTE 14 - RISK MANAGEMENT

The Town of Fountain Hills, Arizona, is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The Town's insurance protection is provided by the Arizona Municipal Risk Retention Pool, of which the Town is a participating member. The limit for basic coverage is for \$7,000,000 per occurrence on a claims made basis. Excess coverage is for an additional \$8,000,000 per occurrence on a follow form, claims made basis. No significant reduction in insurance coverage occurred during the year and no settlements exceeded insurance coverage during any of the past three fiscal years.

The Arizona Municipal Risk Retention Pool is structured such that member premiums are based on an actuarial review that will provide adequate reserves to allow the pool to meet its expected financial obligations. The pool has the authority to assess its members additional premiums should reserves and annual premiums be insufficient to meet the pool's obligations.

The Town is also insured by Arizona Municipal Risk Retention Pool for potential worker related accidents.

NOTE 15 - DEFINED CONTRIBUTION PENSION PLAN

All non-peace officers and full-time employees of the Town participate in a defined contribution pension plan administered by the ICMA Retirement Corporation as a 401(a) plan. The payroll for Town employees covered by this plan for the year ended June 30, 2001 was \$2,918,250. The Town's total payroll was \$3,904,491.

A defined contribution pension plan provides benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefit the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investment of those contributions, and forfeitures of other participant's benefits that may be allocated to such participant's account. All non-peace officer full-time Town employees must participate in the pension plan from the date they are hired. Contributions made by an employee vest immediately and contributions made by the Town vest after three years of service.

TOWN OF FOUNTAIN HILLS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2001

NOTE 15 - DEFINED CONTRIBUTION PENSION PLAN (Concl'd)

An employee that leaves the employment of the Town is entitled to his or her contributions and the vested portion of the Town's contributions, plus interest earned. Each employee must contribute 11% of his or her gross earnings. The Town must contribute 11% of covered earnings. During fiscal year 2000-01, the Town's required and actual contributions amounted to \$321,007. The employees' contributions totaled \$321,007.

No pension provision changes occurred during the year that affected the required contributions to be made by the Town or its employees.

The ICMA Retirement Corporation held no securities of the Town or other related parties during the fiscal year 2000-01 or as of the close of the fiscal year.

NOTE 16 - RETIREMENT AND PENSION PLANS

Public Safety Personnel Retirement System (PSPRS)

Plan Description - The Town of Fountain Hills contributes to the Public Safety Personnel Retirement System (PSPRS), an agent multiple-employer, public employee retirement system that acts as a common investment and administrative agent to provide retirement and death and disability benefits for public safety personnel who are regularly assigned hazardous duty in the employ of the State of Arizona or a political subdivision thereof. All benefit provisions and other requirements are established by State statute. The Public Safety Personnel Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for PSPRS. That report may be obtained by writing to Public Safety Personnel, 1020 E. Missouri Ave., Phoenix, AZ 85014 or by calling (602) 255-5575.

Funding Policy - Covered employees are required to contribute 7.65 percent of their annual salary to the PSPRS. The Town of Fountain Hills is required to contribute the remaining amounts necessary to fund the PSPRS, as determined by the actuarial basis specified by statute. The current rate is 9.44% of annual covered payroll.

Annual Pension Cost - During the year ended June 30, 2000 (the date of the last available information), the Town of Fountain Hill's annual pension cost of \$28,639 for police was equal to the Town of Fountain Hill's required and actual contributions.

TOWN OF FOUNTAIN HILLS, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2001

NOTE 17 - RETIREMENT AND PENSION PLANS (Concl'd)

The required contribution was determined as part of the June 30, 2000 actuarial valuation using an entry age actuarial funding method. Significant actuarial assumptions used in determining the entry age actuarial accrued liability include (a) a rate of return on the investment of present and future assets of 9.0% per year compounded annually, (b) projected salary increases of 6.5% per year compounded annually, and (c) additional projected salary increases of 0.0% to 3.0% per year attributable to seniority/merit.

The actuarial value of the Town of Fountain Hill's assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period. The Town of Fountain Hill's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2000, was 20 years.

The preceding methods comply with the financial reporting standards established by the Governmental Accounting Standards Board.

Three-Year Trend Information

Police

<u>Fiscal Year Ended June 30,</u>	<u>Annual Pension Cost (APC)</u>	<u>Percent Contributed</u>	<u>Net Pension Obligation</u>
1998	\$ 22,869	100.0%	\$ -0-
1999	25,603	100.0	-0-
2000	28,639	100.0	-0-

Additional historical trend information for the Town of Fountain Hill's PSPRS is disclosed on page 30.

Historical trend information is presented in order for a reader to assess the progress made in accumulating sufficient assets to pay pension benefits as they become payable.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF FOUNTAIN HILLS, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM
ANALYSIS OF FUNDING PROGRESS

**Schedule of Funding Progress
Police**

Valuation Date <u>June 30,</u>	Actuarial Value of <u>Assets</u>	Entry Age Actuarial Accrued <u>Liability (AAL)</u>	(Underfunded)/ Overfunded <u>AAL</u>	Funded <u>Ratio</u>	Annual Covered <u>Payroll</u>	(Underfunded)/ Overfunded AAL as a Percentage of Covered <u>Payroll</u>
1996	\$ 17,463	\$ 16,084	\$ 1,379	108.6%	\$ 77,574	1.78%
1997	54,809	48,512	6,297	113.0	216,163	2.91
1998	184,135	125,791	60,344	148.7	394,005	15.31
1999	258,664	263,285	(4,621)	98.2	412,182	(1.1)
2000	375,860	401,167	(25,307)	93.7	556,445	(4.5)

**Combining, Individual Fund and Account Group
Statements and Schedules**

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GENERAL FUND

The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

TOWN OF FOUNTAIN HILLS, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
GENERAL FUND - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2001

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$ 4,117,000	\$ 5,049,156	\$ 932,156
Intergovernmental	3,491,800	3,584,669	92,869
Fines and forfeitures	340,500	310,359	(30,141)
Licenses and permits	2,570,000	2,177,614	(392,386)
Charges for services	254,875	237,008	(17,867)
Rents and royalties	25,000	35,781	10,781
Contributions and donations	-	400	400
Net investment income	425,000	380,824	(44,176)
Other	30,000	10,957	(19,043)
Total Revenues	<u>11,254,175</u>	<u>11,786,768</u>	<u>532,593</u>
Expenditures			
Current			
General government			
Mayor and Town Council	84,710	58,290	26,420
Magistrate Court	306,120	296,802	9,318
General and Administrative	3,046,050	3,159,148	(113,098)
Non-departmental	<u>3,900,596</u>	<u>132,260</u>	<u>3,768,336</u>
Total General government	<u>7,337,476</u>	<u>3,646,500</u>	<u>3,690,976</u>
Public safety			
Building Safety	717,240	650,018	67,222
Town Marshal	<u>2,446,020</u>	<u>2,446,035</u>	<u>(15)</u>
Total Public safety	<u>3,163,260</u>	<u>3,096,053</u>	<u>67,207</u>
Culture and recreation			
Parks and Recreation	2,484,220	2,365,912	118,308
Golden Eagle Park	297,505	291,195	6,310
Civic Center	350,000	322,120	27,880
Community Center	66,490	60,356	6,134
Public Works	<u>1,057,260</u>	<u>825,162</u>	<u>232,098</u>
Total Culture and recreation	<u>4,255,475</u>	<u>3,864,745</u>	<u>390,730</u>
Community development			
Engineering Department	1,123,990	837,956	286,034
Community Development	<u>392,580</u>	<u>337,693</u>	<u>54,887</u>
Total Community development	<u>1,516,570</u>	<u>1,175,649</u>	<u>340,921</u>
Total Expenditures	<u>16,272,781</u>	<u>11,782,947</u>	<u>4,489,834</u>
Excess of revenues over (under) expenditures	<u>(5,018,606)</u>	<u>3,821</u>	<u>5,022,427</u>
Other financing sources (uses)			
Operating transfers out	<u>(1,957,800)</u>	<u>(1,608,221)</u>	<u>349,579</u>
Total other financing sources (uses)	<u>(1,957,800)</u>	<u>(1,608,221)</u>	<u>349,579</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>(6,976,406)</u>	<u>(1,604,400)</u>	<u>5,372,006</u>
Fund balance, beginning of year	<u>6,976,406</u>	<u>6,314,461</u>	<u>(661,945)</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ 4,710,061</u>	<u>\$ 4,710,061</u>

SPECIAL REVENUE FUNDS

Highway User Revenue Fund (HURF) - accounts for the Town's share of motor fuel tax revenues and lottery proceeds.

Cottonwoods Maintenance District - accounts for taxes assessed to pay for the maintenance of the Cottonwoods District.

Grants Fund - accounts for the activities of various grants received by the Town.

TOWN OF FOUNTAIN HILLS, ARIZONA
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
AS OF JUNE 30, 2001

	HURF	Cottonwoods Maintenance District	Grants Fund	Totals
Assets				
Cash and investments	\$ 406,749	\$ -	\$ 20,376	\$ 427,125
Taxes receivable	-	221	-	221
Intergovernmental receivable	109,516	-	80,017	189,533
Prepaid items	1,456	-	-	1,456
Total Assets	<u>\$ 517,721</u>	<u>\$ 221</u>	<u>\$ 100,393</u>	<u>\$ 618,335</u>
Liabilities and Fund Balance				
Liabilities				
Accounts payable	\$ 381,842	\$ -	\$ 946	\$ 382,788
Accrued wages and benefits	19,847	-	13,149	32,996
Contracts payable	102,554	-	23,535	126,089
Retainage payable	4,472	-	-	4,472
Due to other funds	-	221	-	221
Deferred revenue	-	-	62,602	62,602
Total Liabilities	<u>508,715</u>	<u>221</u>	<u>100,232</u>	<u>609,168</u>
Fund balances				
Reserved for prepaid	1,456	-	-	1,456
Unreserved, undesignated	7,550	-	161	7,711
Total Fund Balance	<u>9,006</u>	<u>-</u>	<u>161</u>	<u>9,167</u>
Total Liabilities and Fund Balance	<u>\$ 517,721</u>	<u>\$ 221</u>	<u>\$ 100,393</u>	<u>\$ 618,335</u>

TOWN OF FOUNTAIN HILLS, ARIZONA
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2001

	HURF	Cottonwoods Maintenance District	Grants Fund	Totals
Revenues				
Taxes	\$ -	\$ 3,200	\$ -	\$ 3,200
Intergovernmental	1,171,463	-	286,345	1,457,808
Charges for services	93,986	-	-	93,986
Net investment income	7,750	-	105	7,855
Total Revenues	<u>1,273,199</u>	<u>3,200</u>	<u>286,450</u>	<u>1,562,849</u>
Expenditures				
Current				
Public safety	-	-	257,984	257,984
Highways and streets	2,185,627	-	26,805	2,212,432
Culture and recreation	-	-	1,500	1,500
Total Expenditures	<u>2,185,627</u>	<u>-</u>	<u>286,289</u>	<u>2,471,916</u>
Excess of revenues over (under) expenditures	<u>(912,428)</u>	<u>3,200</u>	<u>161</u>	<u>(909,067)</u>
Other financing sources (uses)				
Operating transfers in	1,034,234	-	-	1,034,234
Operating transfers out	(112,800)	(3,200)	-	(116,000)
Total other financing sources (uses)	<u>921,434</u>	<u>(3,200)</u>	<u>-</u>	<u>918,234</u>
Excess of revenues and other sources over (under) expenditures and other uses	9,006	-	161	9,167
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ 9,006</u>	<u>\$ -</u>	<u>\$ 161</u>	<u>\$ 9,167</u>

TOWN OF FOUNTAIN HILLS, ARIZONA
HURF SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2001

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Intergovernmental	\$ 1,168,800	\$ 1,171,463	\$ 2,663
Charges for services	80,000	93,986	13,986
Net investment income	-	7,750	7,750
Other	<u>500</u>	<u>-</u>	<u>(500)</u>
Total Revenues	<u>1,249,300</u>	<u>1,273,199</u>	<u>23,899</u>
Expenditures			
Current			
Highways and streets	<u>3,097,509</u>	<u>2,185,627</u>	<u>911,882</u>
Total Expenditures	<u>3,097,509</u>	<u>2,185,627</u>	<u>911,882</u>
Excess of revenues over (under) expenditures	<u>(1,848,209)</u>	<u>(912,428)</u>	<u>935,781</u>
Other financing sources (uses)			
Operating transfers in	1,961,000	1,034,234	(926,766)
Operating transfers out	<u>(112,800)</u>	<u>(112,800)</u>	<u>-</u>
Total other financing sources (uses)	<u>1,848,200</u>	<u>921,434</u>	<u>(926,766)</u>
Excess of revenues and other sources over (under) expenditures and other uses	(9)	9,006	9,015
Fund balance, beginning of year	<u>37</u>	<u>-</u>	<u>(37)</u>
Fund balance, end of year	<u>\$ 28</u>	<u>\$ 9,006</u>	<u>\$ 8,978</u>

TOWN OF FOUNTAIN HILLS, ARIZONA
COTTONWOODS MAINTENANCE DISTRICT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2001

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$ <u>3,200</u>	\$ <u>3,200</u>	\$ <u>-</u>
Total Revenues	<u>3,200</u>	<u>3,200</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over (under) expenditures	<u>3,200</u>	<u>3,200</u>	<u>-</u>
Other financing sources (uses)			
Operating transfers out	<u>(3,200)</u>	<u>(3,200)</u>	<u>-</u>
Total other financing sources (uses)	<u>(3,200)</u>	<u>(3,200)</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

TOWN OF FOUNTAIN HILLS, ARIZONA
GRANTS SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2001

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Intergovernmental	\$ 1,853,199	\$ 286,345	\$ (1,566,854)
Net investment income	<u>-</u>	<u>105</u>	<u>105</u>
Total Revenues	<u>1,853,199</u>	<u>286,450</u>	<u>(1,566,749)</u>
Expenditures			
Current			
General government	1,475,000	-	1,475,000
Public safety	302,399	257,984	44,415
Highways and streets	72,800	26,805	45,995
Culture and recreation	<u>3,000</u>	<u>1,500</u>	<u>1,500</u>
Total Expenditures	<u>1,853,199</u>	<u>286,289</u>	<u>1,566,910</u>
Excess of revenues over (under) expenditures	-	161	161
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ 161</u>	<u>\$ 161</u>

DEBT SERVICE FUNDS

HURF Debt Service - accounts for operating transfers received from the HURF special revenue fund to pay the debt service of the Street and Highway User Revenue Bonds.

General Obligation (GO) Debt Service - accounts for the Town's property tax revenues received to pay the debt service of the Town's general obligation bonds.

Eagle Mountain Debt Service - accounts for the property tax revenues received to pay the debt service of the Eagle Mountain Community Facilities District component unit.

Cottonwoods Special Assessment - accounts for all special assessments received to pay the debt service of the Cottonwoods Special Assessment District.

Municipal Property Corporation (MPC) - accounts for the revenues received to pay the debt service on the MPC revenue bonds.

TOWN OF FOUNTAIN HILLS, ARIZONA
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
AS OF JUNE 30, 2001

	HURF Debt Service	GO Debt Service	Eagle Mountain Debt Service	Cottonwoods Special Assesment	MPC	Total
Assets						
Cash and investments	\$ -	\$ -	\$ 5,234,005	\$ 9,336	\$ -	\$ 5,243,341
Cash on deposit with paying agent	91,211	626,085	-	-	273,156	990,452
Taxes receivable	-	24,759	11,674	-	-	36,433
Special assessments receivable	-	-	-	16,138	-	16,138
Total Assets	<u>\$ 91,211</u>	<u>\$ 650,844</u>	<u>\$ 5,245,679</u>	<u>\$ 25,474</u>	<u>\$ 273,156</u>	<u>\$ 6,286,364</u>
Liabilities and Fund Balance						
Liabilities						
Due to developer	\$ -	\$ -	\$ 4,435,000	\$ -	\$ -	\$ 4,435,000
Interest payable	21,211	248,495	156,675	678	123,156	550,215
Due to other funds	-	129,923	-	-	-	129,923
Deferred revenue	-	17,775	7,475	16,138	-	41,388
General obligation bonds payable	70,000	377,590	-	-	-	447,590
Revenue bonds payable	-	-	-	-	150,000	150,000
Total Liabilities	<u>91,211</u>	<u>773,783</u>	<u>4,599,150</u>	<u>16,816</u>	<u>273,156</u>	<u>5,754,116</u>
Fund balances						
Unreserved, undesignated	-	(122,939)	646,529	8,658	-	532,248
Total Fund Balance	-	(122,939)	646,529	8,658	-	532,248
Total Liabilities and Fund Balance	<u>\$ 91,211</u>	<u>\$ 650,844</u>	<u>\$ 5,245,679</u>	<u>\$ 25,474</u>	<u>\$ 273,156</u>	<u>\$ 6,286,364</u>

TOWN OF FOUNTAIN HILLS, ARIZONA
DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2001

	HURF Debt Service	GO Debt Service	Eagle Mountain Debt Service	Cottonwoods Special Assessment	MPC	Totals
Revenues						
Taxes	\$ -	\$ 695,922	\$ 339,769	\$ -	\$ -	\$ 1,035,691
Special assessments	-	-	-	7,958	-	7,958
Net investment income	-	1,762	305,470	119	11,631	318,982
Total Revenues	<u>-</u>	<u>697,684</u>	<u>645,239</u>	<u>8,077</u>	<u>11,631</u>	<u>1,362,631</u>
Expenditures						
Debt service						
Principal retirement	\$ 70,000	397,180	-	3,228	150,000	620,408
Interest and fiscal charges	43,223	472,716	324,231	1,439	244,599	1,086,208
Total Expenditures	<u>113,223</u>	<u>869,896</u>	<u>324,231</u>	<u>4,667</u>	<u>394,599</u>	<u>1,706,616</u>
Excess of revenues over (under) expenditures	<u>(113,223)</u>	<u>(172,212)</u>	<u>321,008</u>	<u>3,410</u>	<u>(382,968)</u>	<u>(343,985)</u>
Other financing sources (uses)						
Operating transfers in	112,800	44,637	-	-	382,968	540,405
Operating transfers out	(59,334)	(5,000)	-	-	-	(64,334)
Total other financing sources (uses)	<u>53,466</u>	<u>39,637</u>	<u>-</u>	<u>-</u>	<u>382,968</u>	<u>476,071</u>
Excess of revenues and other sources over (under) expenditures and other uses	(59,757)	(132,575)	321,008	3,410	-	132,086
Fund balance, beginning of year	<u>59,757</u>	<u>9,636</u>	<u>325,521</u>	<u>5,248</u>	<u>-</u>	<u>400,162</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ (122,939)</u>	<u>\$ 646,529</u>	<u>\$ 8,658</u>	<u>\$ -</u>	<u>\$ 532,248</u>

TOWN OF FOUNTAIN HILLS, ARIZONA
HURF DEBT SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2001

	Budget	Actual	Variance Favorable (Unfavorable)
Total Revenues	\$ -	\$ -	\$ -
Expenditures			
Debt service			
Principal retirement	70,000	70,000	-
Interest and fiscal charges	42,800	43,223	(423)
Total Expenditures	<u>112,800</u>	<u>113,223</u>	<u>(423)</u>
Excess of revenues over (under) expenditures	<u>(112,800)</u>	<u>(113,223)</u>	<u>(423)</u>
Other financing sources (uses)			
Operating transfers in	112,800	112,800	-
Operating transfers out	-	(59,334)	(59,334)
Total other financing sources (uses)	<u>112,800</u>	<u>53,466</u>	<u>(59,334)</u>
Excess of revenues and other sources over (under) expenditures and other uses	-	(59,757)	(59,757)
Fund balance, beginning of year	-	59,757	59,757
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

TOWN OF FOUNTAIN HILLS, ARIZONA
GO DEBT SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2001

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$ 731,785	\$ 695,922	\$ (35,863)
Net investment income	<u>4,000</u>	<u>1,762</u>	<u>(2,238)</u>
Total Revenues	<u>735,785</u>	<u>697,684</u>	<u>(38,101)</u>
Expenditures			
Debt service			
Principal retirement	397,200	397,180	20
Interest and fiscal charges	<u>504,755</u>	<u>472,716</u>	<u>32,039</u>
Total Expenditures	<u>901,955</u>	<u>869,896</u>	<u>32,059</u>
Excess of revenues over (under) expenditures	<u>(166,170)</u>	<u>(172,212)</u>	<u>(6,042)</u>
Other financing sources (uses)			
Operating transfers in	-	44,637	44,637
Operating transfers out	<u>-</u>	<u>(5,000)</u>	<u>(5,000)</u>
Total other financing sources (uses)	<u>-</u>	<u>39,637</u>	<u>39,637</u>
Excess of revenues and other sources over (under) expenditures and other uses	(166,170)	(132,575)	33,595
Fund balance, beginning of year	<u>166,170</u>	<u>9,636</u>	<u>(156,534)</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ (122,939)</u>	<u>\$ (122,939)</u>

TOWN OF FOUNTAIN HILLS, ARIZONA
EAGLE MOUNTAIN DEBT SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2001

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$ 225,000	\$ 339,769	\$ 114,769
Net investment income	<u>93,350</u>	<u>305,470</u>	<u>212,120</u>
Total Revenues	<u>318,350</u>	<u>645,239</u>	<u>326,889</u>
Expenditures			
Debt service			
Interest and fiscal charges	<u>318,350</u>	<u>324,231</u>	<u>(5,881)</u>
Total Expenditures	<u>318,350</u>	<u>324,231</u>	<u>(5,881)</u>
Excess of revenues over (under) expenditures	-	321,008	321,008
Fund balance, beginning of year	<u>-</u>	<u>325,521</u>	<u>325,521</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ 646,529</u>	<u>\$ 646,529</u>

TOWN OF FOUNTAIN HILLS, ARIZONA
COTTONWOODS SPECIAL ASSESSMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2001

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Special assessments	\$ 4,800	\$ 7,958	\$ 3,158
Net investment income	<u>-</u>	<u>119</u>	<u>119</u>
Total Revenues	<u>4,800</u>	<u>8,077</u>	<u>3,277</u>
Expenditures			
Debt service			
Principal retirement	3,228	3,228	-
Interest and fiscal charges	<u>1,572</u>	<u>1,439</u>	<u>133</u>
Total Expenditures	<u>4,800</u>	<u>4,667</u>	<u>133</u>
Excess of revenues over (under) expenditures	-	3,410	3,410
Fund balance, beginning of year	<u>-</u>	<u>5,248</u>	<u>5,248</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ 8,658</u>	<u>\$ 8,658</u>

TOWN OF FOUNTAIN HILLS, ARIZONA
MPC FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2001

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Net investment income	\$ <u>-</u>	\$ <u>11,631</u>	\$ <u>11,631</u>
Total Revenues	<u>-</u>	<u>11,631</u>	<u>11,631</u>
Expenditures			
Debt service			
Principal retirement	150,000	150,000	-
Interest and fiscal charges	<u>246,313</u>	<u>244,599</u>	<u>1,714</u>
Total Expenditures	<u>396,313</u>	<u>394,599</u>	<u>1,714</u>
Excess of revenues over (under) expenditures	<u>(396,313)</u>	<u>(382,968)</u>	<u>13,345</u>
Other financing sources (uses)			
Operating transfers in	<u>396,313</u>	<u>382,968</u>	<u>(13,345)</u>
Total other financing sources (uses)	<u>396,313</u>	<u>382,968</u>	<u>(13,345)</u>
Excess of revenues and other sources over (under) expenditures and other uses	-	-	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>

CAPITAL PROJECTS FUNDS

Heritage Grant Fund - accounts for capital improvements through the use of Heritage Grant funds.

Capital Projects Fund - accounts for the capital improvements to various projects of the Town.

Development Fees Fund - accounts for development fees collected from developers restricted for projects approved by Council.

TOWN OF FOUNTAIN HILLS, ARIZONA
CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
AS OF JUNE 30, 2001

	Heritage Grant Fund	Capital Projects Fund	Development Fees	Total
Assets				
Cash and investments	\$ -	\$ 1,738,248	\$ 100,329	\$ 1,838,577
Intergovernmental receivable	<u>458,444</u>	<u>-</u>	<u>-</u>	<u>458,444</u>
Total Assets	<u>\$ 458,444</u>	<u>\$ 1,738,248</u>	<u>\$ 100,329</u>	<u>\$ 2,297,021</u>
Liabilities and Fund Balance				
Liabilities				
Accounts payable	\$ -	\$ 67,170	\$ -	\$ 67,170
Contracts payable	79,408	191,893	-	271,301
Retainage payable	-	8,397	-	8,397
Due to other funds	<u>379,036</u>	<u>-</u>	<u>-</u>	<u>379,036</u>
Total Liabilities	<u>458,444</u>	<u>267,460</u>	<u>-</u>	<u>725,904</u>
Fund balances				
Unreserved, undesignated	<u>-</u>	<u>1,470,788</u>	<u>100,329</u>	<u>1,571,117</u>
Total Fund Balance	<u>-</u>	<u>1,470,788</u>	<u>100,329</u>	<u>1,571,117</u>
Total Liabilities and Fund Balance	<u>\$ 458,444</u>	<u>\$ 1,738,248</u>	<u>\$ 100,329</u>	<u>\$ 2,297,021</u>

TOWN OF FOUNTAIN HILLS, ARIZONA
CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2001

	Heritage Grant Fund	Capital Projects Fund	Development Fees	Total
Revenues				
Intergovernmental	\$ 238,679	\$ -	\$ -	\$ 238,679
Charges for services	-	-	100,322	100,322
Net investment income (loss)	-	(1,771,007)	7	(1,771,000)
Total Revenues	<u>238,679</u>	<u>(1,771,007)</u>	<u>100,329</u>	<u>(1,431,999)</u>
Expenditures				
Capital outlay	714,093	4,547,492	-	5,261,585
Debt service	-	144,986	-	144,986
Bond issuance costs	-	-	-	-
Total Expenditures	<u>714,093</u>	<u>4,692,478</u>	<u>-</u>	<u>5,406,571</u>
Excess of revenues over (under) expenditures	<u>(475,414)</u>	<u>(6,463,485)</u>	<u>100,329</u>	<u>(6,838,570)</u>
Other financing sources (uses)				
Operating transfers in	253,553	5,000	-	258,553
Operating transfers out	-	(44,637)	-	(44,637)
Proceeds from sale of bonds	-	4,641,980	-	4,641,980
Total other financing sources (uses)	<u>253,553</u>	<u>4,602,343</u>	<u>-</u>	<u>4,855,896</u>
Excess of revenues and other sources over (under) expenditures and other uses	(221,861)	(1,861,142)	100,329	(1,982,674)
Fund balance, beginning of year	<u>221,861</u>	<u>3,331,930</u>	<u>-</u>	<u>3,553,791</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ 1,470,788</u>	<u>\$ 100,329</u>	<u>\$ 1,571,117</u>

TOWN OF FOUNTAIN HILLS, ARIZONA
HERITAGE GRANT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2001

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Intergovernmental	\$ <u>1,400,000</u>	\$ <u>238,679</u>	\$ <u>(1,161,321)</u>
Total Revenues	<u>1,400,000</u>	<u>238,679</u>	<u>(1,161,321)</u>
Expenditures			
Capital outlay	<u>1,400,000</u>	<u>714,093</u>	<u>685,907</u>
Total Expenditures	<u>1,400,000</u>	<u>714,093</u>	<u>685,907</u>
Excess of revenues over (under) expenditures	<u>-</u>	<u>(475,414)</u>	<u>(475,414)</u>
Other financing sources (uses)			
Operating transfers in	<u>-</u>	<u>253,553</u>	<u>253,553</u>
Total other financing sources (uses)	<u>-</u>	<u>253,553</u>	<u>253,553</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>-</u>	<u>(221,861)</u>	<u>(221,861)</u>
Fund balance, beginning of year	<u>-</u>	<u>221,861</u>	<u>221,861</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

TOWN OF FOUNTAIN HILLS, ARIZONA
CAPITAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2001

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Net investment income	\$ <u>110,000</u>	\$ <u>(1,771,007)</u>	\$ <u>(1,881,007)</u>
Total Revenues	<u>110,000</u>	<u>(1,771,007)</u>	<u>(1,881,007)</u>
Expenditures			
Capital outlay	8,210,000	4,547,492	3,662,508
Debt service			
Bond issuance costs	<u>-</u>	<u>144,986</u>	<u>(144,986)</u>
Total Expenditures	<u>8,210,000</u>	<u>4,692,478</u>	<u>3,517,522</u>
Excess of revenues over (under) expenditures	<u>(8,100,000)</u>	<u>(6,463,485)</u>	<u>1,636,515</u>
Other financing sources (uses)			
Operating transfers in	-	5,000	5,000
Operating transfers out	-	(44,637)	(44,637)
Proceeds from sale of bonds	<u>4,600,000</u>	<u>4,641,980</u>	<u>41,980</u>
Total other financing sources (uses)	<u>4,600,000</u>	<u>4,602,343</u>	<u>2,343</u>
Excess of revenues and other sources over (under) expenditures and other uses	(3,500,000)	(1,861,142)	1,638,858
Fund balance, beginning of year	<u>3,500,000</u>	<u>3,331,930</u>	<u>(168,070)</u>
Fund balance, end of year	\$ <u>-</u>	\$ <u>1,470,788</u>	\$ <u>1,470,788</u>

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GENERAL FIXED ASSETS ACCOUNT GROUP

General fixed assets consist of land and improvements, buildings and improvements, equipment and vehicles. These assets represent a major investment of Town funds. Adequate control and accountability of general fixed assets are essential to the protective custody of Town property.

TOWN OF FOUNTAIN HILLS, ARIZONA
COMPARATIVE SCHEDULES OF GENERAL FIXED ASSETS
BY SOURCE
JUNE 30, 2001 AND 2000

	2001	2000
GENERAL FIXED ASSETS		
Land and improvements	\$ 16,927,627	\$ 14,668,991
Buildings and improvements	1,586,640	1,465,837
Improvements other than buildings	166,953	166,953
Furniture, equipment and vehicles	3,286,355	2,631,501
Construction in progress	<u>5,514,946</u>	<u>909,759</u>
Total	<u>\$ 27,482,521</u>	<u>\$ 19,843,041</u>
INVESTMENT IN GENERAL FIXED ASSETS BY SOURCE		
General Fund	\$ 8,164,057	\$ 5,849,848
Special Revenue Funds	1,334,696	1,271,010
Capital Projects Funds	12,759,066	7,497,481
Donations	<u>5,224,702</u>	<u>5,224,702</u>
Total	<u>\$ 27,482,521</u>	<u>\$ 19,843,041</u>

TOWN OF FOUNTAIN HILLS, ARIZONA
SCHEDULE OF GENERAL FIXED ASSETS
BY FUNCTION AND ACTIVITY
AS OF JUNE 30, 2001

	Land and Improvements	Buildings and Improvements	Improvements Other than Buildings	Furniture, Equipment and Vehicles	Construction in Progress	Total
FUNCTION AND ACTIVITY						
General Government						
Council	\$ -	\$ -	\$ -	\$ 9,842	\$ -	\$ 9,842
Administration	4,155,038	303,621	142,270	972,073	17,160	5,590,162
Community Development	-	-	-	24,960	-	24,960
Magistrate Court	-	-	-	45,631	-	45,631
Total General Government	<u>4,155,038</u>	<u>303,621</u>	<u>142,270</u>	<u>1,052,506</u>	<u>17,160</u>	<u>5,670,595</u>
Public Safety						
Building Safety	-	-	-	107,597	-	107,597
Town Marshal	-	-	-	488,025	-	488,025
Total Public Safety	<u>-</u>	<u>-</u>	<u>-</u>	<u>595,622</u>	<u>-</u>	<u>595,622</u>
Highways and Streets						
Engineering	-	-	-	145,673	-	145,673
Maintenance	<u>74,022</u>	<u>307,854</u>	<u>-</u>	<u>997,774</u>	<u>-</u>	<u>1,379,650</u>
Total Highways and Streets	<u>74,022</u>	<u>307,854</u>	<u>-</u>	<u>1,143,447</u>	<u>-</u>	<u>1,525,323</u>
Culture and Recreation						
Community Center	453,618	463,500	17,965	212,500	2,784,500	3,932,083
Library / Museum	-	-	-	42,157	2,713,286	2,755,443
Parks and Recreation	11,835,993	511,665	6,718	177,483	-	12,531,859
Public Works	<u>408,956</u>	<u>-</u>	<u>-</u>	<u>62,640</u>	<u>-</u>	<u>471,596</u>
Total Culture and Recreation	<u>12,698,567</u>	<u>975,165</u>	<u>24,683</u>	<u>494,780</u>	<u>5,497,786</u>	<u>19,690,981</u>
Total	<u>\$ 16,927,627</u>	<u>\$ 1,586,640</u>	<u>\$ 166,953</u>	<u>\$ 3,286,355</u>	<u>\$ 5,514,946</u>	<u>\$ 27,482,521</u>

TOWN OF FOUNTAIN HILLS, ARIZONA
SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS
BY FUNCTION AND ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2001

	General Fixed Assets July 1, 2000	Additions	Deletions	Adjustments	General Fixed Assets June 30, 2001
FUNCTION AND ACTIVITY					
General Government					
Council	\$ 9,842	\$ -	\$ -	\$ -	\$ 9,842
Administration	6,134,480	365,441	-	(909,759)	5,590,162
Community Development	18,935	6,025	-	-	24,960
Magistrate Court	45,631	-	-	-	45,631
Total General Government	<u>6,208,888</u>	<u>371,466</u>	<u>-</u>	<u>(909,759)</u>	<u>5,670,595</u>
Public Safety					
Building Safety	86,011	21,586	-	-	107,597
Town Marshal	415,374	72,651	-	-	488,025
Total Public Safety	<u>501,385</u>	<u>94,237</u>	<u>-</u>	<u>-</u>	<u>595,622</u>
Highways and Streets					
Engineering	145,673	-	-	-	145,673
Maintenance	1,315,964	63,686	-	-	1,379,650
Total Highways and Streets	<u>1,461,637</u>	<u>63,686</u>	<u>-</u>	<u>-</u>	<u>1,525,323</u>
Culture and Recreation					
Community Center	946,434	2,985,649	-	-	3,932,083
Library / Museum	-	1,845,684	-	909,759	2,755,443
Parks and Recreation	10,552,563	1,979,296	-	-	12,531,859
Public Works	172,134	299,462	-	-	471,596
Total Culture and Recreation	<u>11,671,131</u>	<u>7,110,091</u>	<u>-</u>	<u>909,759</u>	<u>19,690,981</u>
TOTAL GENERAL FIXED ASSETS	<u>\$ 19,843,041</u>	<u>\$ 7,639,480</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,482,521</u>

STATISTICAL SECTION

TOWN OF FOUNTAIN HILLS, ARIZONA
GENERAL GOVERNMENT EXPENDITURES BY FUNCTION (1)
LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year	General Government	Public Safety	Highways and Streets	Culture and Recreation	Community Development	Capital Outlay	Debt Service	Total
2001	\$ 3,646,500	\$ 3,354,037	\$ 2,212,432	\$ 3,866,245	\$ 1,175,649	\$ 5,261,585	\$ 1,851,602	\$ 21,368,050
2000	2,528,953	3,059,020	2,468,498	3,359,509	1,276,951	1,787,469	924,014	15,404,414
1999	2,631,245	2,205,600	1,984,879	2,334,901	955,451	557,374	795,088	11,464,538
1998	1,964,427	2,074,441	2,020,450	1,471,559	947,251	1,352,936	799,941	10,631,005
1997	1,757,431	1,499,538	1,627,952	625,928	864,022	5,343,433	1,132,399	12,850,703
1996	1,617,365	1,241,694	1,687,403	1,196,115	821,796	578,099	524,553	7,667,025
1995	1,131,817	979,482	610,858	382,026	560,325	843,650	491,219	4,999,377
1994	1,007,100	745,141	509,943	288,784	308,905	743,302	509,952	4,113,127
1993	860,706	689,545	457,967	207,687	246,143	3,983,233	522,517	6,967,798
1992	628,189	730,631	426,631	150,753	225,477	1,028,925	540,523	3,731,129

(1) Includes all Governmental Fund Types.

TOWN OF FOUNTAIN HILLS, ARIZONA
GENERAL GOVERNMENT REVENUES BY SOURCE (1)
LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year	Taxes	Inter-Governmental	Fines and Forfeitures	Licenses and Permits	Charges for Services	Rents and Royalties	Contributions and Donations	Special Assessment	Net Investment Income (Loss)	Other	Total
2001	\$ 6,088,047	\$ 5,281,156	\$ 310,359	\$ 2,177,614	\$ 431,316	\$ 35,781	\$ 400	\$ 7,958	\$ (1,063,339)	\$ 10,957	\$ 13,280,249
2000	4,876,466	4,771,792	293,970	2,569,472	454,366	27,208	10,598	9,241	743,259	21,055	13,777,427
1999	3,861,337	4,929,062	259,484	2,472,215	624,744	18,140	-	14,524	620,639	25,657	12,825,802
1998	3,326,207	4,364,859	208,930	1,961,687	795,700	13,591	100,000	-	582,757	17,487	11,371,218
1997	3,101,787	3,988,424	209,485	1,770,347	419,976	14,170	1,500	-	464,633	19,477	9,989,799
1996	2,024,461	2,762,906	211,289	1,653,561	204,541	14,462	-	-	163,457	18,800	7,053,477
1995	468,503	2,896,271	171,675	1,346,134	358,657	21,228	20,000	-	150,357	10,263	5,443,088
1994	488,434	2,542,928	163,886	829,046	109,461	24,723	24,410	-	96,831	14,836	4,294,555
1993	505,754	2,380,310	133,152	512,695	100,272	25,412	354,559	-	162,454	9,617	4,184,225
1992	427,416	2,067,401	123,497	451,575	33,819	26,764	86,569	-	315,235	9,408	3,541,684

(1) Includes all Governmental Fund Types.

TOWN OF FOUNTAIN HILLS, ARIZONA
GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS
(UNAUDITED)

<u>Fiscal Year</u>	<u>Sales Tax</u>	<u>Property Tax</u>	<u>Franchise Tax</u>	<u>Total</u>
2001	\$ 4,923,174	\$ 1,038,891	\$ 125,982	\$ 6,088,047
2000	4,087,514	657,026	131,926	4,876,466
1999	3,394,152	348,778	118,407	3,861,337
1998	2,920,084	302,375	103,748	3,326,207
1997	2,664,923	350,024	86,840	3,101,787
1996	1,610,116	336,000	78,345	2,024,461
1995	16,622	357,033	94,848	468,503
1994	-	393,654	94,780	488,434
1993	-	423,798	81,956	505,754
1992	-	350,831	76,585	427,416

TOWN OF FOUNTAIN HILLS, ARIZONA
TOWN TRANSACTION PRIVILEGE (SALES) TAX COLLECTIONS
BY INDUSTRY CLASSIFICATION
FISCAL YEAR BASIS
(UNAUDITED)

<u>Business Activity Category</u>	<u>2001 Excise Tax Collections</u>	<u>Percent of Total</u>
Construction	\$ 231,225	35.4%
Transportation/Utilities/Communication	94,070	14.4%
Wholesale/Retail	199,986	30.6%
Restaurants/Bars	31,273	4.8%
Fire, Insurance and Real Estate	33,073	5.1%
Services	47,398	7.2%
All Other Services Not Specified	<u>17,027</u>	<u>2.6%</u>
	<u><u>\$ 654,052</u></u>	<u><u>100.0%</u></u>

TOWN OF FOUNTAIN HILLS, ARIZONA
PRIMARY AND SECONDARY TAXABLE PROPERTY ASSESSED VALUATION
LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year		Assessed Valuation Town of Fountain Hills	Assessed Valuation Fountain Hills School District	Assessed Valuation Maricopa County	Assessed Valuation State of Arizona
2001	P	\$ 220,229,137	\$ 223,185,771	\$ 21,355,326,477	\$ 32,518,431,391
	S	238,714,537	242,086,985	22,913,134,480	\$ 31,837,391,782
2000	P	190,102,361	191,579,669	19,362,298,255	22,645,463,514
	S	212,415,476	214,037,354	20,877,715,546	23,547,348,817
1999	P	133,721,181	134,650,036	17,463,875,533	21,670,300,013
	S	146,943,730	147,884,952	18,676,830,848	22,533,348,150
1998	P	112,285,569	113,072,537	15,006,270,531	21,001,064,273
	S	116,333,406	117,144,929	15,723,498,194	22,333,861,362
1997	P	100,649,833	101,573,954	13,975,668,204	22,811,158,500
	S	103,944,051	104,881,097	14,343,156,861	23,333,678,475
1996	P	94,188,637	95,155,307	13,493,736,826	22,109,868,588
	S	100,161,568	101,137,745	14,119,434,946	23,022,330,962
1995	P	87,383,347	88,978,760	13,302,326,609	21,688,438,645
	S	88,796,834	90,394,390	13,521,174,915	22,179,317,949
1994	P	85,567,821	87,353,865	13,296,003,025	21,349,754,194
	S	87,406,208	89,208,873	13,504,107,816	21,748,040,198
1993	P	83,486,645	85,445,505	13,808,814,077	21,532,550,403
	S	84,687,515	86,675,510	13,605,514,589	21,934,246,590
1992	P	80,366,555	83,384,340	14,132,936,570	21,670,300,013
	S	82,825,480	85,878,190	14,773,149,205	22,533,348,150

P = Primary assessed valuation

S = Secondary assessed valuation

Source: Maricopa County and Arizona Tax Research Foundation.

TOWN OF FOUNTAIN HILLS, ARIZONA
PRIMARY AND SECONDARY PROPERTY TAX RATES - ALL OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year		Rate Town	Rate School District	Rate County	Rate State	Rate Total
2001	P	0.00	4.09	1.18	0.00	5.27
	S	0.56	2.25	0.09	0.00	2.90
2000	P	0.00	3.91	1.16	0.00	5.07
	S	0.26	2.38	0.12	0.00	2.76
1999	P	0.00	3.89	1.19	0.00	5.08
	S	0.17	1.96	0.11	0.00	2.24
1998	P	0.00	4.89	1.68	0.00	6.57
	S	0.23	2.32	0.13	0.00	2.68
1997	P	0.00	4.98	1.64	0.00	6.62
	S	0.30	2.17	0.16	0.00	2.63
1996	P	0.00	4.96	1.69	0.47	7.12
	S	0.32	2.67	0.15	0.00	3.14
1995	P	0.00	5.50	1.77	0.47	7.74
	S	0.39	1.69	0.00	0.00	2.08
1994	P	0.00	5.03	1.58	0.47	7.08
	S	0.43	1.76	0.19	0.00	2.38
1993	P	0.00	4.29	1.60	0.47	6.36
	S	0.47	1.51	0.14	0.00	2.12
1992	P	0.00	4.38	1.51	0.47	6.36
	S	0.43	1.66	0.17	0.00	2.26

P = Primary assessed valuation
S = Secondary assessed valuation

Source: Maricopa County and Arizona Tax Research Foundation.

TOWN OF FOUNTAIN HILLS, ARIZONA
 ASSESSED VALUATION OF MAJOR TAXPAYERS
 JUNE 30, 2001
 (UNAUDITED)

<u>Taxpayer</u>	<u>Land Description</u>	<u>2000/01 Assessed Valuation</u>	<u>As % of Town's Total Secondary Assessed Valuation</u>
MCO Properties	Vacant Land	\$ 5,382,604	2.25%
Chaparral City Water Co.	Water Utility	3,058,460	1.28%
US West Communications	Telephone & Telegraph	2,161,477	0.91%
Firerock LLC	Vacant Land	2,009,110	0.84%
Four Peaks Vista	Condominiums	1,562,959	0.65%
Safeway Inc.	Shopping Center	703,100	0.29%
Ridge View Apartments LP	Apartments	825,828	0.35%
G&G Fountain Palisades	Shopping Center	669,924	0.28%
Southwest Inn at Eagle Mountain	Hotel	652,042	0.27%
Summit Estates	Vacant Land	756,759	0.32%
		<u>\$17,782,263</u>	<u>7.45%</u>

Source: Treasurer of Maricopa County

TOWN OF FOUNTAIN HILLS, ARIZONA
COMPUTATION OF LEGAL DEBT MARGIN
JUNE 30, 2001
(UNAUDITED)

Net secondary assessed valuation	<u>\$ 238,714,537</u>
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Water, Sewer, Light, Parks, Open Space
and Recreational Facility Boards

Debt limit - 20% of secondary net assessed valuation	<u>\$ 47,742,907</u>
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Bonds outstanding	<u>4,530,000</u>
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Net 20% General Obligation Bonding Capacity	<u>43,212,907</u>
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All Other General Obligation Bonds

Debt limit - 6% of secondary net assessed valuation	14,322,872
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Bonds outstanding subject to debt limit	<u>8,209,873</u>
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Net 6% General Obligation Bonding Capacity	<u>6,112,999</u>
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Total 20% and 6% Bonding Capacity	<u>\$ 49,325,906</u>
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Source: Maricopa County Assessor's Office.

TOWN OF FOUNTAIN HILLS, ARIZONA
RATIO OF NET GENERAL BONDED DEBT
TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA
LAST TEN FISCAL YEARS
(UNAUDITED)

<u>Fiscal Year</u>	<u>Population</u>	<u>Net Secondary Assessed Valuation</u>	<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
2000-01	20,235 *	\$ 238,714,537	\$ 8,209,873	3.44%	406
1999-00	18,595	212,415,476	8,677,053	4.08%	467
1998-99	18,015	146,943,730	3,913,952	2.66%	217
1997-98	16,275	116,333,406	3,883,018	3.34%	239
1996-97	15,220	103,944,051	4,056,473	3.90%	267
1995-96	14,146	100,161,566	4,277,315	4.27%	302
1994-95	13,100	88,796,834	4,144,881	4.67%	316
1993-94	12,005	83,384,908	4,292,389	5.15%	358
1992-93	11,265	84,687,515	4,461,875	5.27%	396
1991-92	10,475	80,181,000	4,659,579	5.81%	445

* Year 2000 U.S. Census

TOWN OF FOUNTAIN HILLS, ARIZONA
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES TO
TOTAL GENERAL EXPENDITURES*
LAST TEN FISCAL YEARS
(UNAUDITED)

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest and Fiscal Charges</u>	<u>Bond Issuance Cost</u>	<u>Total Debt Service</u>	<u>Total Expenditures*</u>	<u>Ratio of Debt Service to To Total Expenditures</u>
2000-01	\$ 620,408	\$ 1,086,208	\$ 144,986	\$ 1,851,602	\$ 21,368,050	8.67%
1999-00	339,013	585,001	-	924,014	15,404,414	6.00%
1998-99	223,024	517,696	54,368	795,088	11,464,538	6.94%
1997-98	245,210	554,731	-	799,941	10,631,005	7.52%
1996-97	222,321	247,311	-	469,632	12,850,703	3.65%
1995-96	209,193	208,477	-	417,670	7,667,025	5.45%
1994-95	125,000	327,463	-	452,463	4,999,377	9.05%
1993-94	125,000	340,493	-	465,493	4,113,127	11.32%
1992-93	125,000	352,913	-	477,913	6,967,798	6.86%
1991-92	75,000	420,301	-	495,301	3,731,129	13.27%

* Includes all Governmental Fund Types.

TOWN OF FOUNTAIN HILLS, ARIZONA
DIRECT AND OVERLAPPING GENERAL OBLIGATION BONDED DEBT
JUNE 30, 2001
(UNAUDITED)

Overlapping Jurisdiction	2000-01 Net Secondary Assessed Valuation (1)	Net Outstanding General Obligation Bonded Debt	Proportion Applicable to Town of Fountain Hills	
			Approx. Percent	Net Debt Amount
State of Arizona	\$ 31,837,391,782	\$ None	0.75%	\$ -
Maricopa County	22,913,134,480	58,205,000	1.04%	606,394
Maricopa County Community College District	22,913,134,480	305,750,000	1.04%	3,185,377
Fountain Hills Unified School District No. 98	242,086,985	35,305,000	98.61%	34,813,176
East Valley Institute of Technology District No. 401	10,225,502,945	22,805,000	2.33%	532,383
Fountain Hills Sanitary District	231,837,835	5,220,000	100.00%	5,220,000
Fountain Hills Fire District	236,054,186	None	100.00%	-
Fountain Hills Road District	None	None	100.00%	-
Town of Fountain Hills	238,714,537	8,209,873	100.00%	8,209,873
Total Direct and Overlapping GO Bonded Debt				<u>\$ 52,567,203</u>

(1) Proportion applicable to the Town of Fountain Hills, Arizona is computed on the ratio of secondary assessed valuation for 2000-01.

Source: Maricopa County Treasurer's Office.

TOWN OF FOUNTAIN HILLS, ARIZONA
 ASSESSED AND ESTIMATED ACTUAL VALUE OF PROPERTY (1)
 LAST TEN FISCAL YEARS
 (UNAUDITED)

PRIMARY						
Tax Year	Total Assessed Value	Exempt Amount	Total Full Cash Value	Estimated Actual Value	Net Assessed Value	Ratio of Total Assessed Value to Total Estimated Actual Value
2001	\$ 232,442,986	\$ 12,213,849	\$ 1,997,525,319	\$ 2,397,030,383	\$ 220,229,137	9.70%
2000	198,224,776	8,578,615	1,713,029,238	2,055,635,086	190,102,361	9.64%
1999	170,258,614	9,255,978	1,467,193,748	1,760,632,498	161,002,636	9.67%
1998	141,077,170	7,355,989	1,208,968,752	1,450,762,502	133,721,181	9.72%
1997	118,888,547	6,602,978	1,002,546,459	1,203,055,751	112,285,569	9.88%
1996	105,912,474	5,262,641	884,979,322	1,061,975,186	100,649,833	9.97%
1995	99,271,154	5,082,517	826,917,659	992,301,191	94,188,637	10.00%
1994	92,301,694	4,918,347	753,145,358	903,774,430	87,383,347	10.21%
1993	90,299,465	4,731,644	728,255,127	873,906,152	85,567,821	10.33%
1992	87,376,360	3,889,715	699,538,226	839,445,871	83,486,645	10.41%

SECONDARY						
Tax Year	Total Assessed Value	Exempt Amount	Total Full Cash Value	Estimated Actual Value	Net Assessed Value	Ratio of Total Assessed Value to Total Estimated Actual Value
2001	\$ 253,269,562	\$ 14,555,025	\$ 2,154,928,885	\$ 2,585,914,662	\$ 238,714,537	9.79%
2000	221,922,165	9,894,702	1,889,016,352	2,266,819,622	212,415,476	9.79%
1999	185,540,741	10,575,923	1,583,072,952	1,899,687,542	174,964,818	9.77%
1998	155,729,430	8,785,700	1,317,946,863	1,581,536,236	146,943,730	9.85%
1997	123,097,961	6,764,555	1,034,892,731	1,241,871,277	116,333,406	9.91%
1996	109,463,361	5,519,310	906,495,406	1,087,794,487	103,944,051	10.06%
1995	105,660,296	5,498,728	866,122,390	1,039,346,868	100,161,568	10.17%
1994	94,047,575	5,250,741	764,582,686	917,499,223	88,796,834	10.25%
1993	92,482,352	5,076,144	743,628,593	892,354,312	87,406,208	10.36%
1992	89,055,130	4,367,615	709,986,885	851,984,262	84,687,515	10.45%

- (1) Arizona uses two types of property values for taxing purposes. Primary values are used to calculate primary property taxes which are collected to fund the maintenance and operation of school districts, community college districts, counties, cities, and state government. Secondary values are used to pay off secondary property taxes which are collected for such things as debt service (bonds), budget overrides and special districts. Source: Arizona Department of Revenue.

TOWN OF FOUNTAIN HILLS, ARIZONA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year	(1) Total Tax Levy	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Tax Collections	Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy	Outstanding Delinquent Taxes	Ratio of Delinquent Taxes to Total Tax Levy
2000-01	\$ 699,006	\$ 676,682	96.81%	\$ 5,977	\$ 682,659	97.66%	\$ 16,347	2.34%
1999-00	444,138	432,965	97.48%	4,385	437,350	98.47%	309	0.07%
1998-99	248,607	235,953	94.91%	6,301	242,254	97.44%	52	0.02%
1997-98	268,917	261,704	97.32%	7,213	268,917	100.00%	-	0.00%
1996-97	312,638	312,489	99.95%	122	312,611	99.99%	27	0.01%
1995-96	323,517	323,511	100.00%	3	323,514	100.00%	-	0.00%
1994-95	339,832	339,605	99.93%	4	339,609	99.93%	219	0.06%
1993-94	379,779	379,537	99.94%	11	379,548	99.94%	231	0.06%
1992-93	396,610	397,434	100.21%	(412)	397,022	100.10%	-	0.00%
1991-92	359,371	359,371	100.00%	-	359,371	100.00%	-	0.00%

(1) The amount levied and collected is net of resolutions.

NOTE 1: Amounts collected are on a cash basis rather than the modified accrual basis as in the financial statements.

NOTE 2: Unsecured personal property taxes are not included in this schedule.

SOURCE: The Maricopa County Treasurer's Office.

TOWN OF FOUNTAIN HILLS, ARIZONA
PROPERTY TAX RATES FOR ALL OVERLAPPING GOVERNMENTS
LAST NINE FISCAL YEARS
(UNAUDITED)

Fiscal Year	Arizona	Community College	County	Fountain Hills School District	East Valley Inst. Of Tech District	Fire District Royalties	Sanitary District	Road District	Flood Control District	Library District	Volunteer Fire District	Central Arizona Project	Town of Fountain Hills
2001	0.0000	1.4557	1.2732	6.3373	0.1120	0.9739	2.0515	0.0000	0.2319	0.0421	0.0091	0.1300	0.5605
2000	0.0000	1.1285	1.2816	6.2969	0.1217	0.8933	1.8315	0.0000	0.2858	0.0421	0.0000	0.1400	0.2578
1999	0.0000	1.1125	1.8084	7.2134	0.1320	0.9482	1.9394	0.0370	0.3270	0.0421	0.0103	0.1400	0.1699
1998	0.0000	1.1346	1.7929	7.2466	0.1216	1.0407	1.6619	0.1806	0.3425	0.0421	0.0105	0.1400	0.2330
1997	0.0000	1.0476	1.7929	7.1501	0.1616	0.9826	1.8983	0.3186	0.3425	0.0421	0.0109	0.1400	0.3036
1996	0.4700	1.1130	1.8344	7.6367	0.0693	0.9397	1.8590	0.2626	0.3332	0.0099	0.0108	0.1400	0.3192
1995	0.4700	0.8934	1.7726	7.1976	0.0554	0.9781	1.9097	0.5624	0.3632	0.0417	0.0107	0.1400	0.3852
1994	0.4700	0.8532	1.2426	6.7878	0.0705	0.9040	2.1183	0.7350	0.3632	0.0417	0.0104	0.1400	0.4337
1993	0.4700	0.8510	1.7448	5.7954	0.0308	1.3079	2.0671	0.7114	0.3901	0.0426	0.0099	0.1400	0.4714
1992	0.4700	0.8402	1.6884	6.0422	0.0292	1.1466	2.1857	0.7281	0.4447	0.0444	0.0082	0.1400	0.4343

TOWN OF FOUNTAIN HILLS, ARIZONA
MARICOPA COUNTY ECONOMIC INDICATORS
LAST TEN CALENDAR YEARS
(UNAUDITED)

Value of Building Permits (in Thousands)					
<u>Year</u>	<u>Housing Starts</u>	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Other</u>
2000	42,205	\$ 4,774,188	\$ 2,144,767	\$ 253,472	\$ 1,493,186
1999	47,106	5,142,869	1,878,629	210,676	1,092,337
1998	47,801	4,778,571	2,230,445	378,141	1,101,269
1997	43,013	3,943,544	1,840,334	233,598	1,133,069
1996	39,630	3,508,538	1,422,483	788,083	1,079,458
1995	37,091	3,199,942	1,043,978	413,835	782,609
1994	33,862	3,203,144	959,539	145,310	584,029
1993	24,147	2,432,682	547,667	50,139	499,052
1992	20,488	2,159,844	550,345	39,244	478,990
1991	17,082	1,613,832	307,566	65,099	515,236

SOURCE: Arizona Real Estate Center, College of Business, Arizona State University

TOWN OF FOUNTAIN HILLS, ARIZONA
DEMOGRAPHIC AND MISCELLANEOUS STATISTICS
JUNE 30, 2001
(UNAUDITED)

DATE OF INCORPORATION	December 5, 1989
FORM OF GOVERNMENT	Council - Manager
NUMBER OF EMPLOYEES (No police and fire)	
Classified - Full time	86
Classified - Part time	26
Exempt	20
AREA	18.27 square miles
TOWN OF FOUNTAIN HILLS FACILITIES AND SERVICES	
Miles of Street	
Surfaced	178.5
Unsurfaced	2
Population (estimated)	20,235
Housing Units	11,406
Building Permits Issued	1,311
Culture and Recreation	
Community Centers	1
Parks	4
Park acreage	121
Tennis Courts	6
Senior Center	1
FACILITIES AND SERVICES NOT INCLUDED IN PRIMARY GOVERNMENT	
Fire Protection:	Special District
Number of stations	2
Number of fire personnel and officers	42
Number of calls answered	
Number of inspections conducted	2,395
Police Protection:	Contracted
Number of stations	1
Number of police personnel and officers	23
Number of patrol units	9
Number of law violations	
Physical arrests	981
Traffic/Parking violations	4,767
Sewerage System:	Special District
Miles of sanitary sewers	182
Number of treatment plants	2
Number of service connections	10,809
Daily average treatment in gallons	
Maximum daily capacity of treatment plant in gallons	1,670,000mgd
Water System:	Private company
Miles of water mains	178
Number of service connections	11,448
Number of fire hydrants	1,217
Daily average consumption in gallons	4,400,000mgd
Maximum daily capacity of plant in gallons	11,570,000
Education:	
Number of elementary schools	3
Number of secondary schools	1
Number of students - Primary	1,734
Number of Students - Secondary	766

Source: Town government offices and related districts.